

INTERNATIONAL CONFERENCE 2015

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INTERNATIONAL
CONFERENCE
2015
**BUSINESS
OVERVIEW**
ROY ETLINGER

16 years



Our new offices



London



Johannesburg



Cape Town



Assets under administration



Outsourcing solutions growth



Aspinalls



DELMORE
ASSET MANAGEMENT



Compliance and regulations



The best substitute
for experience
is being

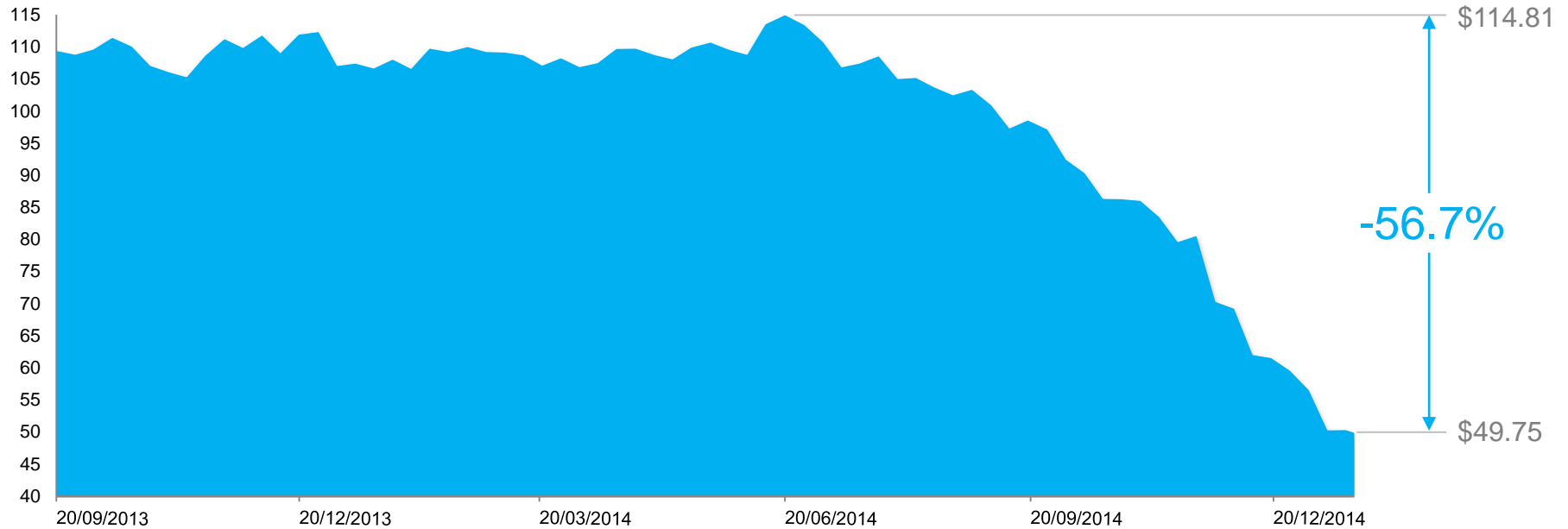
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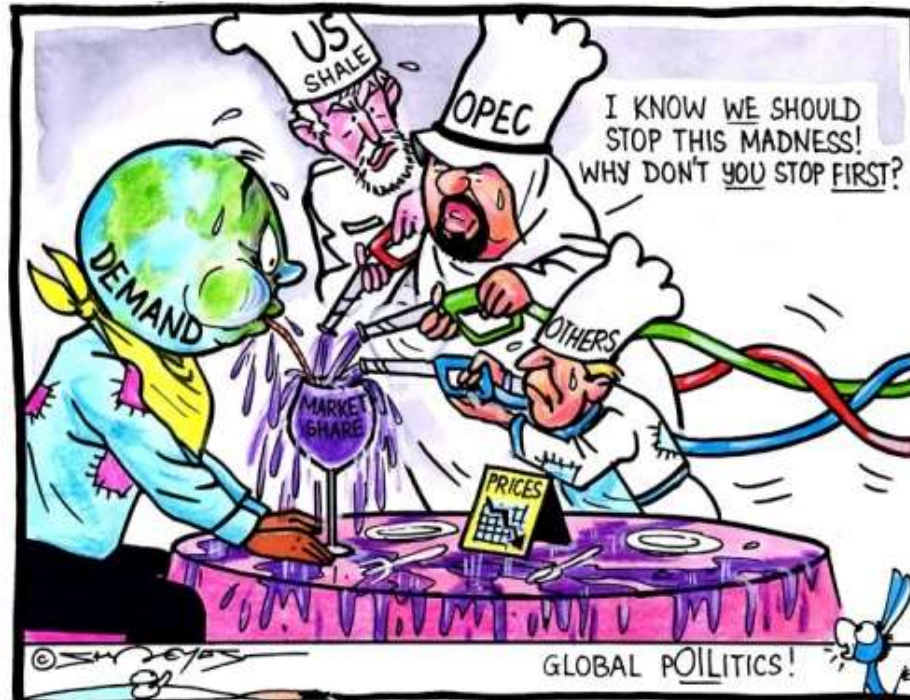
INTERNATIONAL
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2015

**A PERSPECTIVE
ON OIL**
JARROD CAHN

Brent crude oil price as at 19 Jan 2015



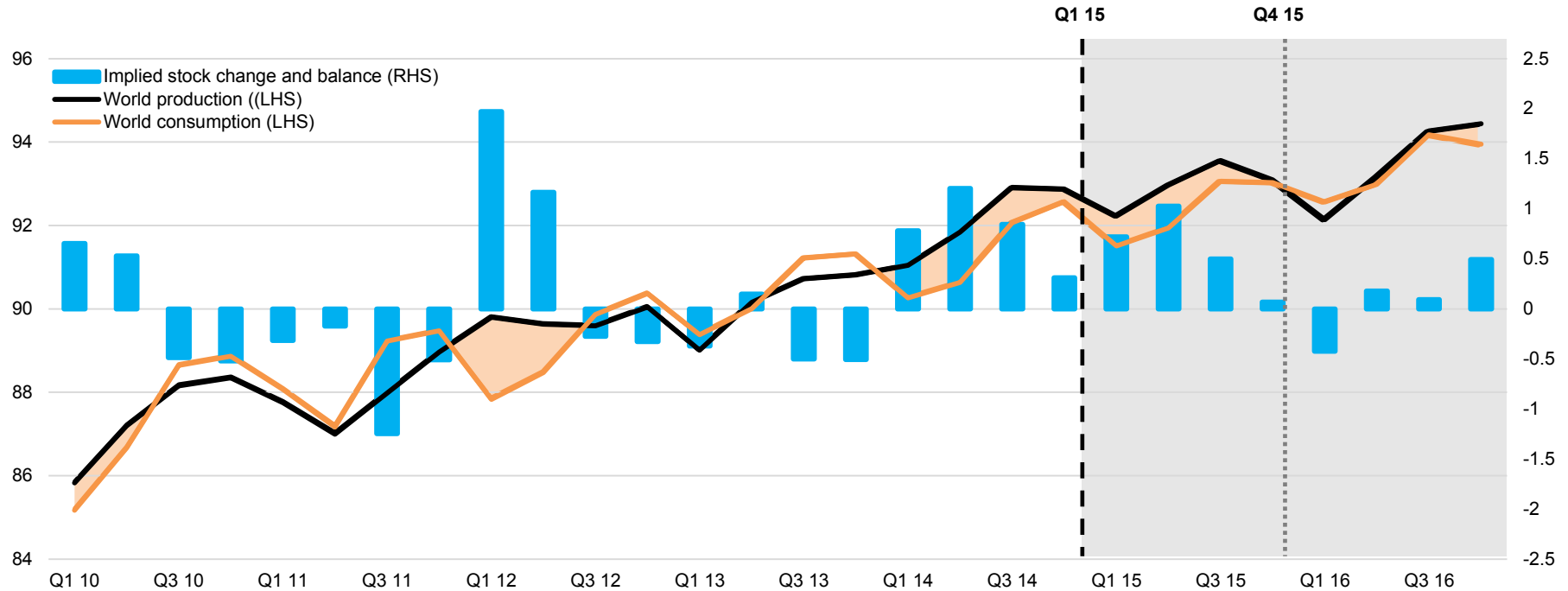
Source: Bloomberg, Credo Capital plc.



Source: dabsandjabs.

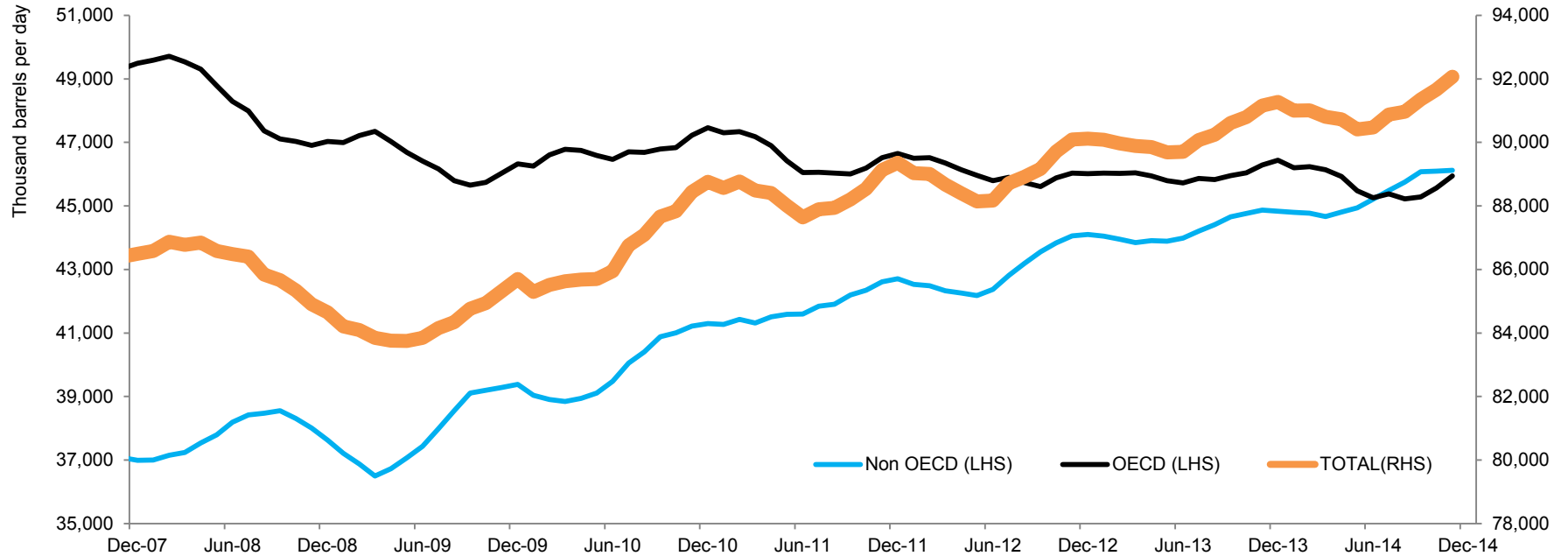
World liquid fuels production and consumption balance

(millions barrels per day)



Source: EIA, Credo Capital plc.

Global oil consumption 2008 - 2014

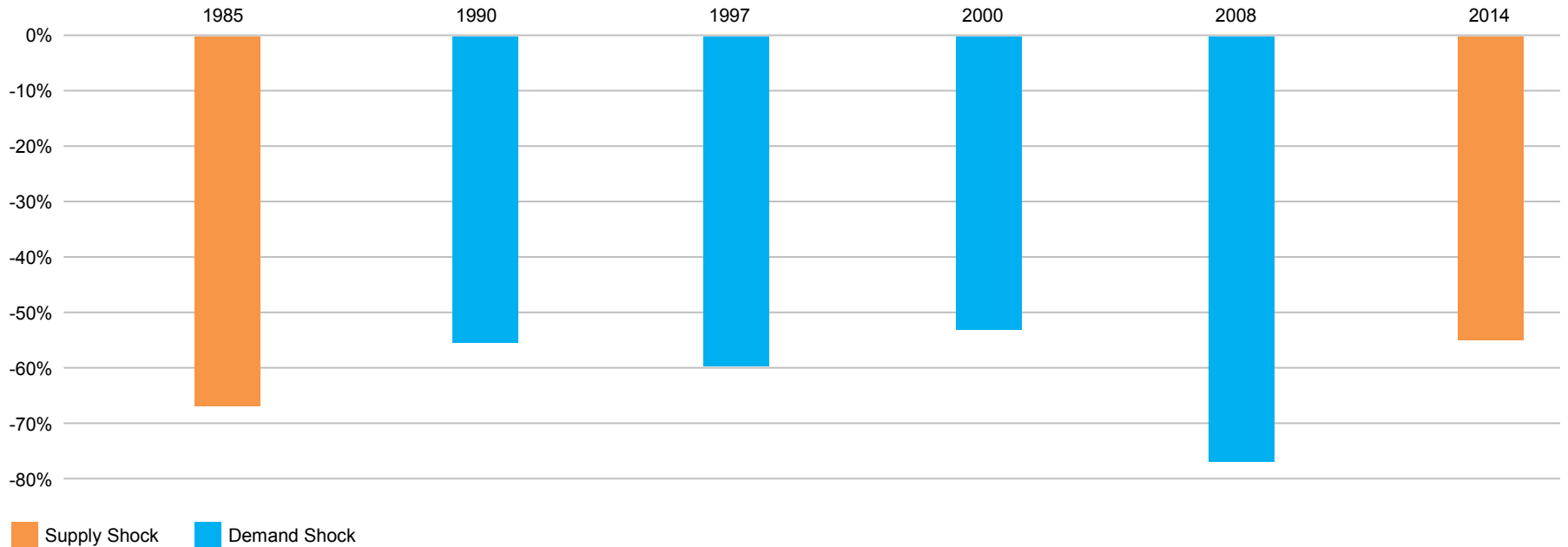


Source: Credo, Datastream, Energy Information Administration (EIA).

OECD - Organization for Economic Cooperation and Development.

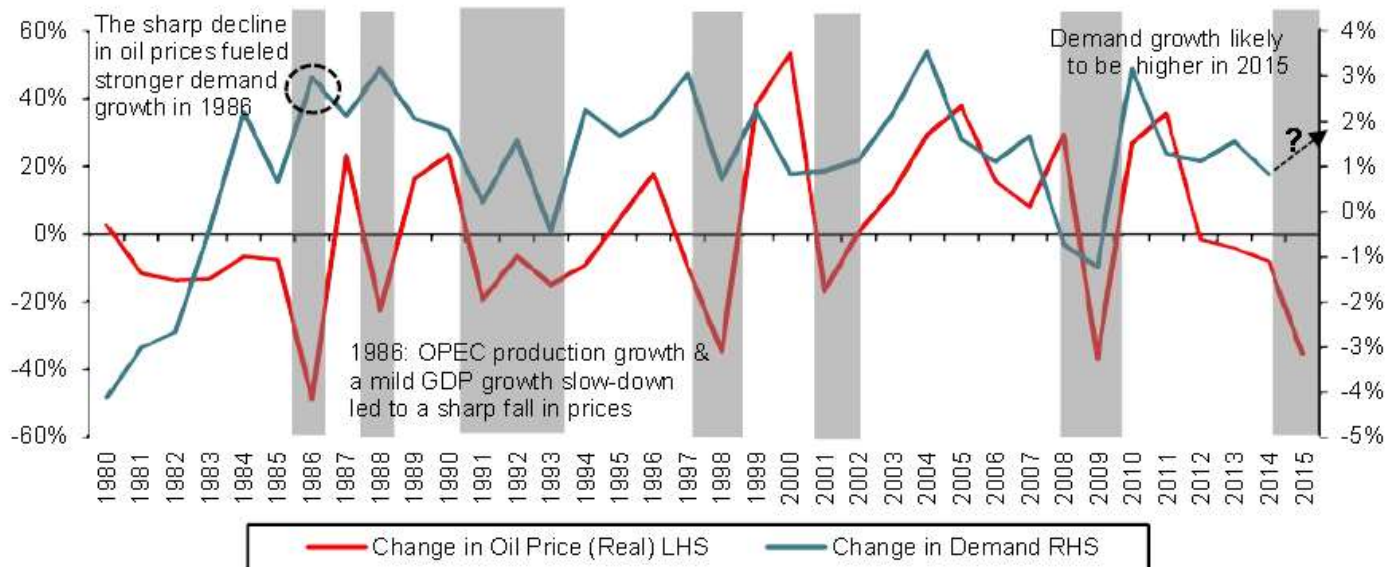
The World Bank lowered 2015 global growth forecast to **3%** versus previous **3.4%** and regarding commodities, continued demand weakness in **China** is cited as key.

Will the oil plunge mirror the mid-80s' supply shock?



Source: Haver, Bloomberg, Guggenheim Investments. Data as of 08/01/2015.

Current oil price drop is very similar to 1986's, which was driven by over-supply instead of economy recession; oil demand growth is likely to be higher in 2015 driven by lower oil price



Source: BP statistical review, IMF, Bernstein analysis and estimates.

Demand growth

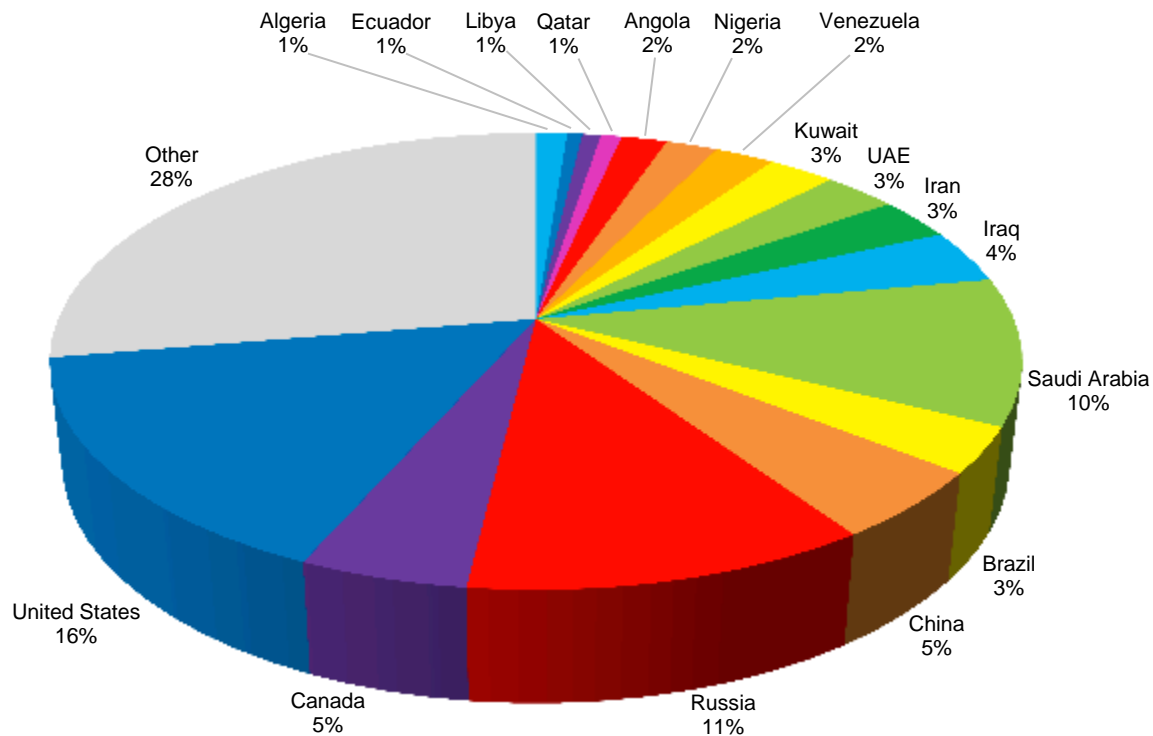


Autotrader.com said interest in Hummer H1s on its site rose 11 percent last month (November), making it the fastest-growing older model among all vehicles.



The supply side of the equation

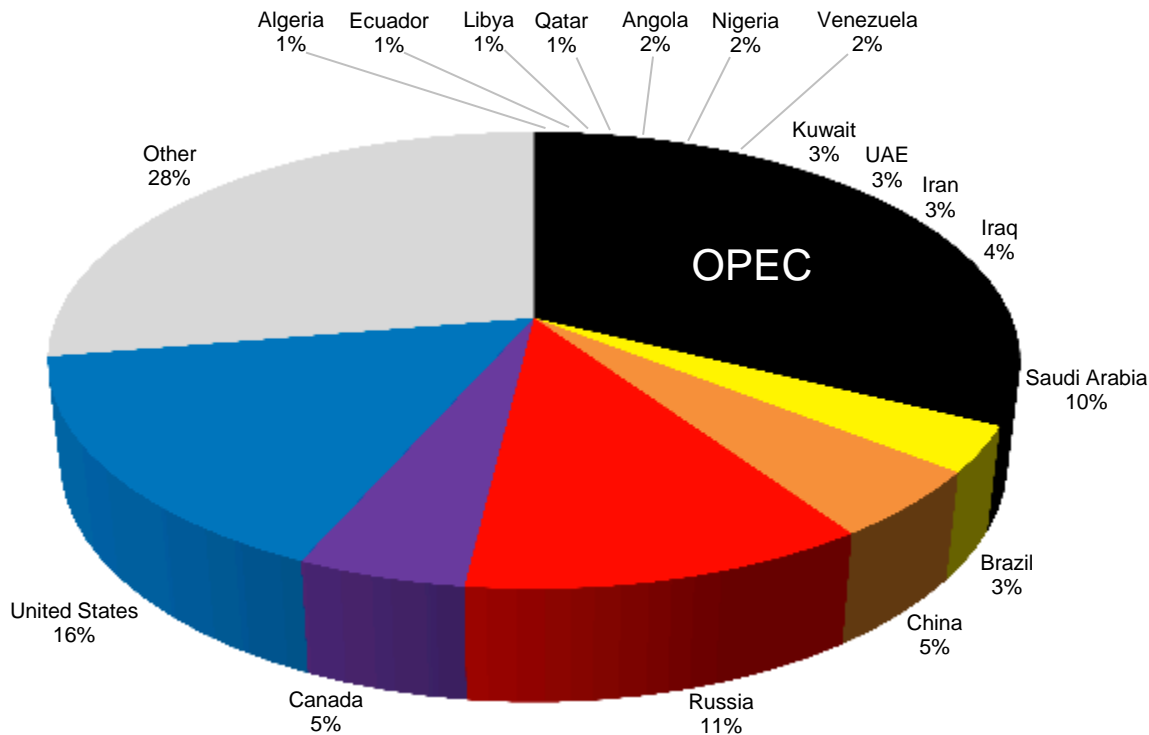
Global oil supply as at 4Q14



Source: EIA, Credo Capital plc.

The supply side of the equation

Global oil supply as at 4Q14



Source: EIA, Credo Capital plc.

OPEC meeting - 27 Nov 2014



Saudi Arabia - No longer turning off the taps.



“It is not in the interest of OPEC producers to cut their production, whatever the price is”

Saudi Oil Minister **Ali Al-Naimi**

Why did OPEC not cut?



Official Line

To protect market share.

What we think

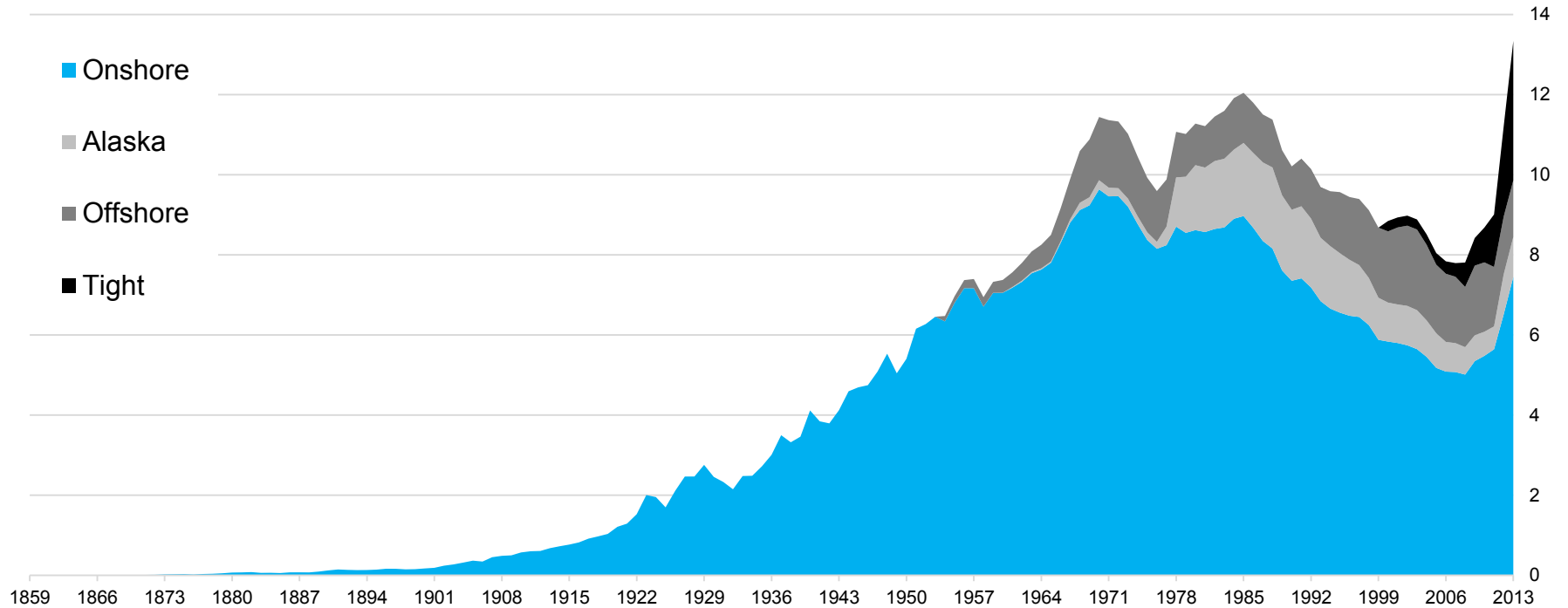
Knock out the biggest threat to their global oil supply domination - **shale gas industry** of the USA.

A duel in the oil patch



U.S. oil production by source

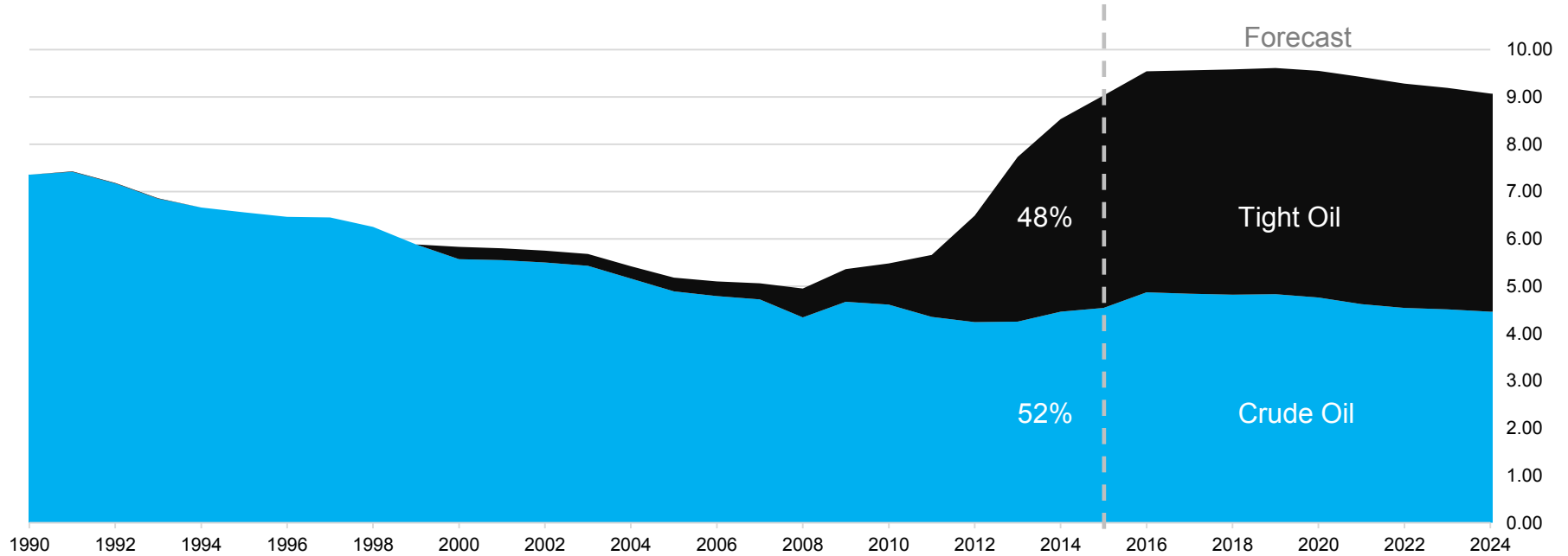
Million barrels per day



Source: EIA, Credo Capital plc.

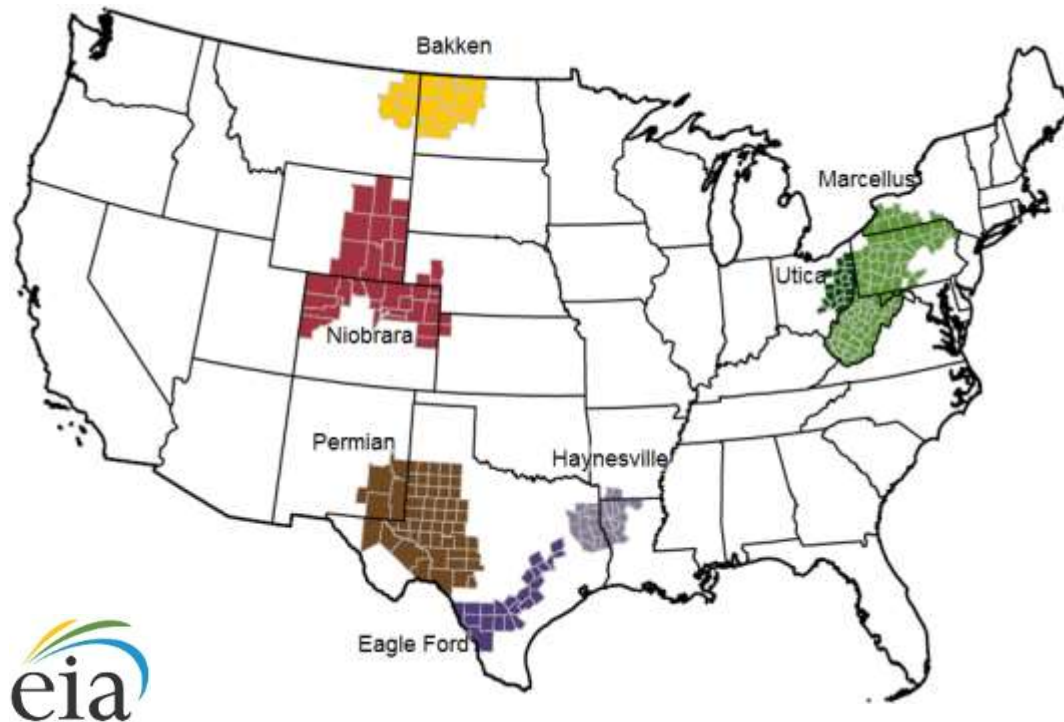
Crude oil production vs. tight oil production

Millions barrels per day

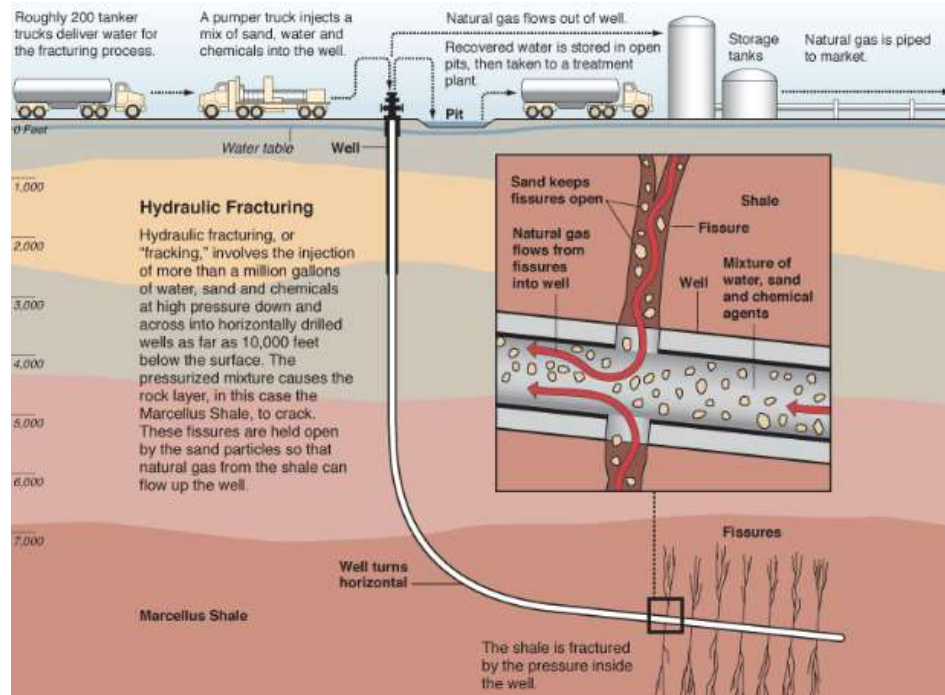


Source: EIA, Credo Capital plc.

Largest US shale formations



How does it work?

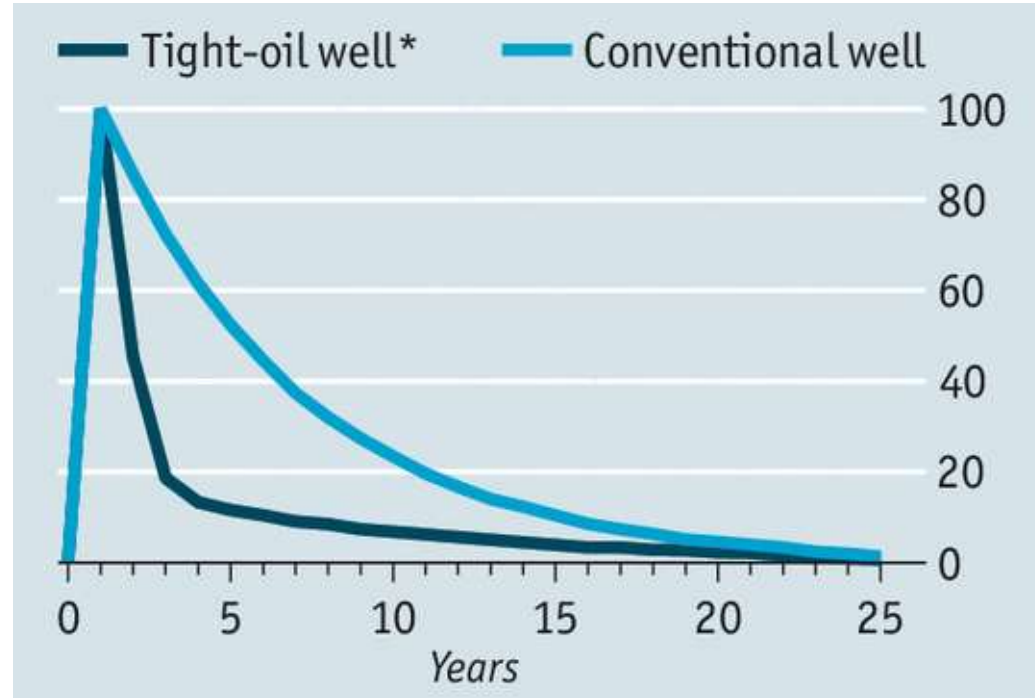


Source: ProPublica.

The shale model

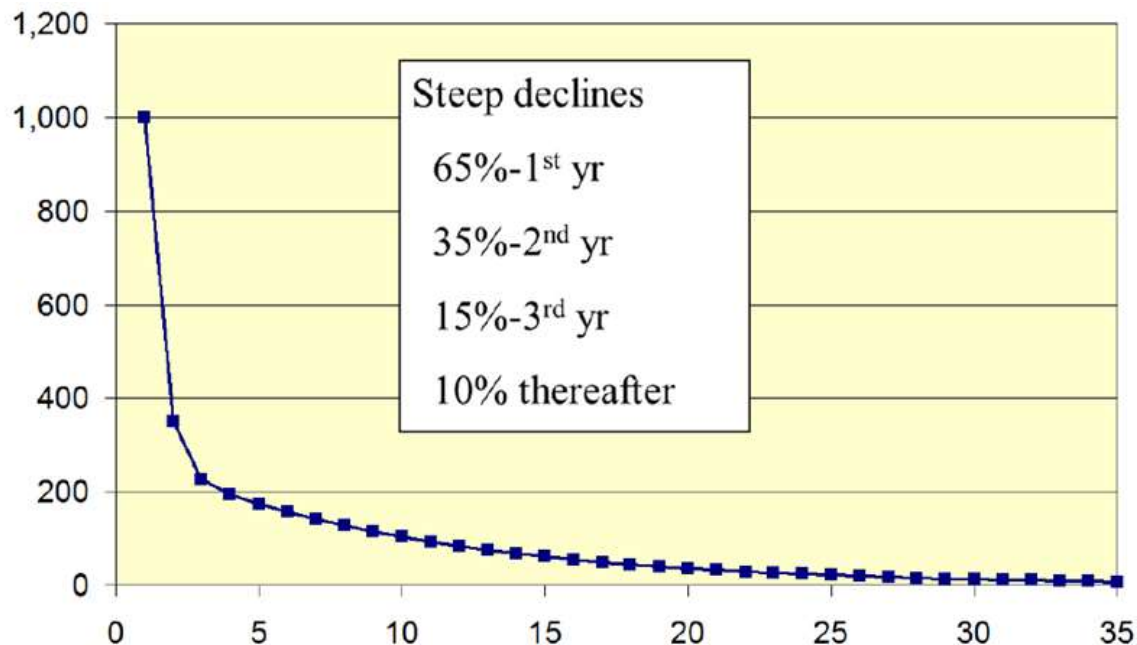
Quick hit v slow burn

Typical production curves



Source: International Energy Agency. (*) Including shale.

Typical Bakken/Three Forks Performance



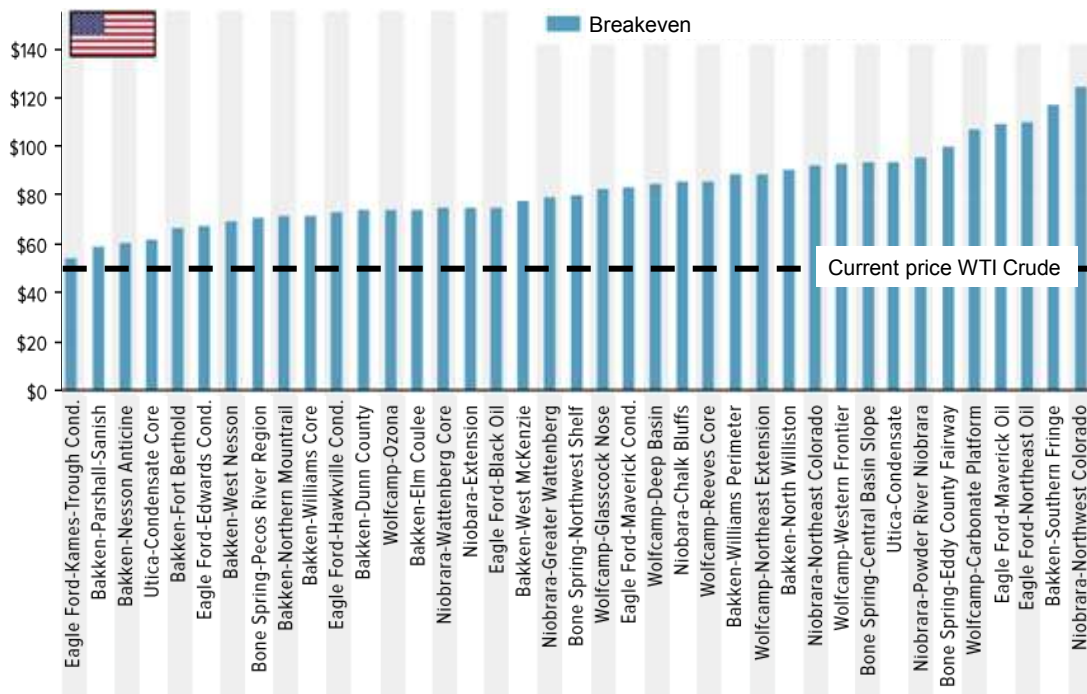
Source: North Dakota Oil and Gas Division.

The shale oil drilling treadmill



Source: usfunds.com.

Estimate of breakeven points for keys U.S. shale plays



Source: Wood Mackenzie, Business Insider, U.S. Global Investors.

"OPEC is a toothless tiger" - Harold Hamm



Hedging - Even the smartest can get it wrong



November 2014

- Continental cashed in financial hedges running through 2015 and 2016
- Realized \$433m, WTI \$70 at the time

December 2014

- Company cuts capital budget from \$5.2bn to \$2.7bn (almost 50%)
- Lowered production growth from 23% - 29% to 16% - 20%

Shale industry funding sources



- Internally generated **cash-flows**
- **Equity** - most stocks are down over 40%, highly dilutive, rock bottom valuations
- **Asset Sales** - bid/offer spread very wide, likely to only be distressed sales
- **External debt** - the cheap money

The cheap money is gone



- **\$650bn** of high yield debt issued since 2011
- **Oil and Gas** the single largest sector for high yield origination in the past four years ~**11%** of all global HY issuances
- Almost **45% of new issuances in 2014**
- March / April 2015, first bout of significant refinancing



Source: Bloomberg, Credo Capital plc.

What next?



- **Consolidation and M&A activity**

opportunistic buying from larger players, with strong balance sheets and strong economies of scale

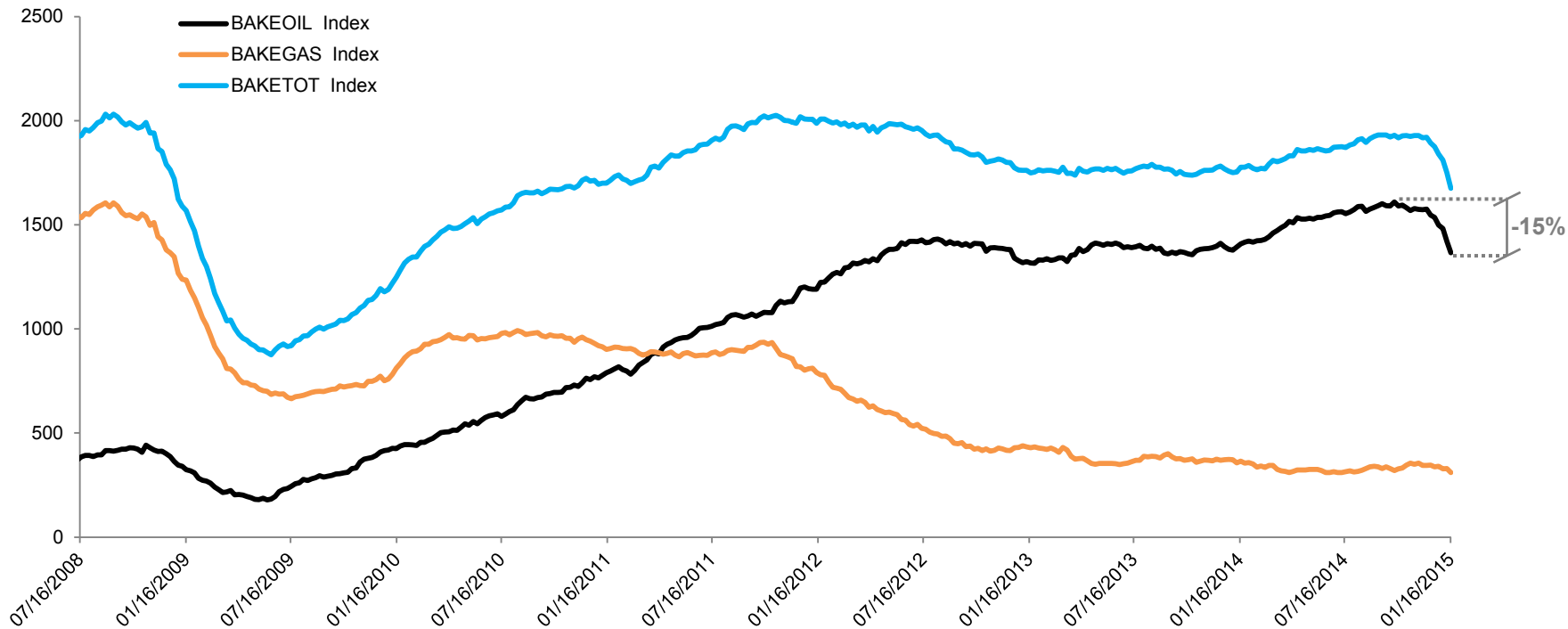
- **Capex reductions of between 20% - 50%**

capital preservation mode, maximize debt coverage and ensure debt covenants remain intact

- **Further technical efficiencies**

multi-well pad drilling, reduced drilling times

Baker Hughes US total rig count



Source: Bloomberg, Credo Capital plc.

Reduction in capex will not effect 2015 production



Robust Growth Guidance From U.S. E&Ps Despite Reduced Spending Plans



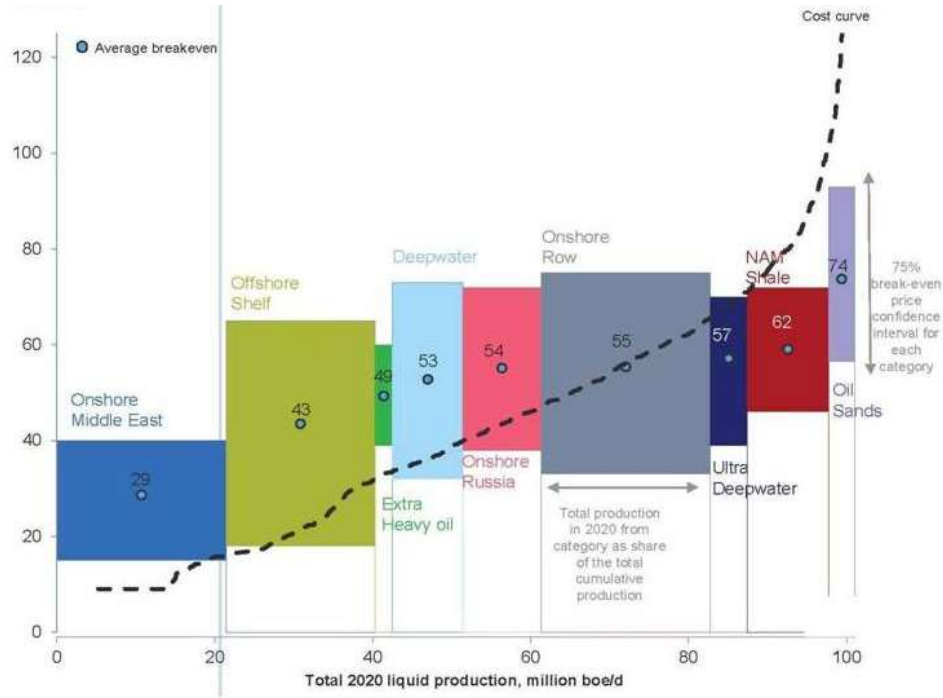
Source: Company reports.
Morningstar Research

Is the sun setting on the shale boom?



But... Shale will not be the only casualty

Global liquid supply cost curve (USD/bbl)



Source: Rystad Energy research and analysis.

Significant rationalisation and M&A activity in the oil Industry

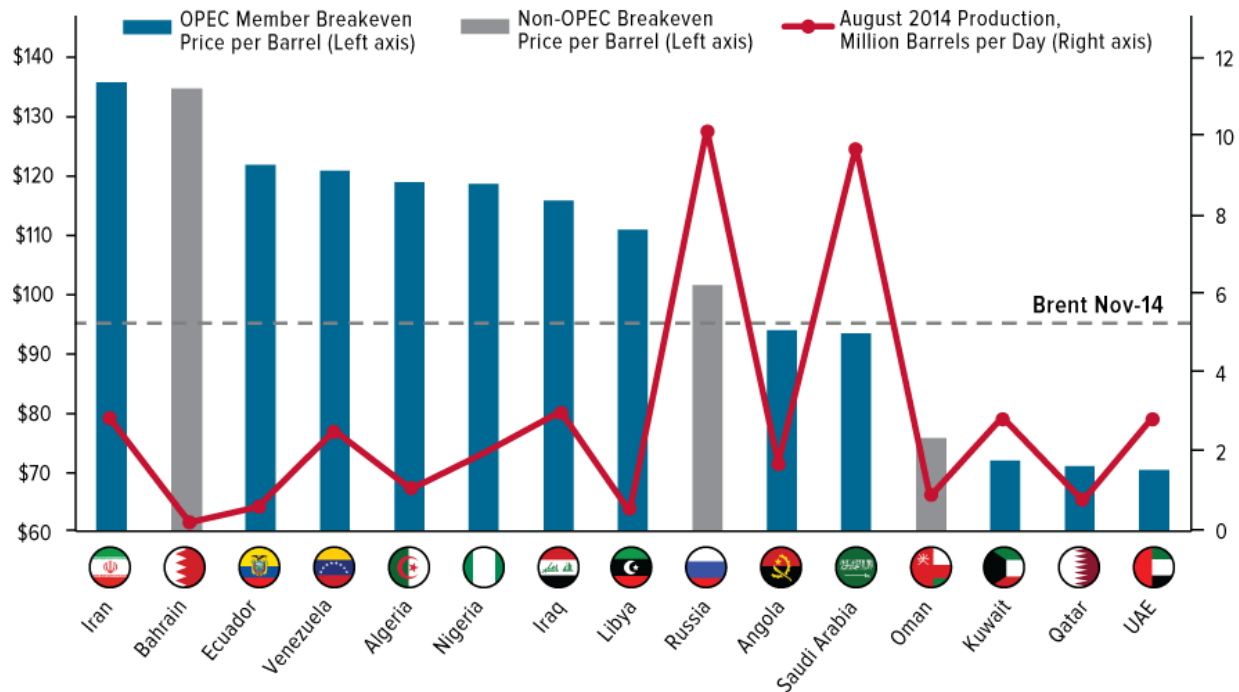


- ConocoPhillips to cut capital spending by 20% to \$13.5bn
- BP - \$1bn in restructuring charges over the coming year and the loss of several thousand jobs
- Schlumberger to cut 9,000 jobs
- BHP - to cut oil exploration by 20% to US\$600m in 2015, reduce rigs in the onshore US business by approximately 40% (16 from 26)
- Lukoil - \$2bn capex cut, and jobs to go

Great opportunity for large players to restructure their portfolios and buy cheap quality assets



Producer country budget breakeven prices



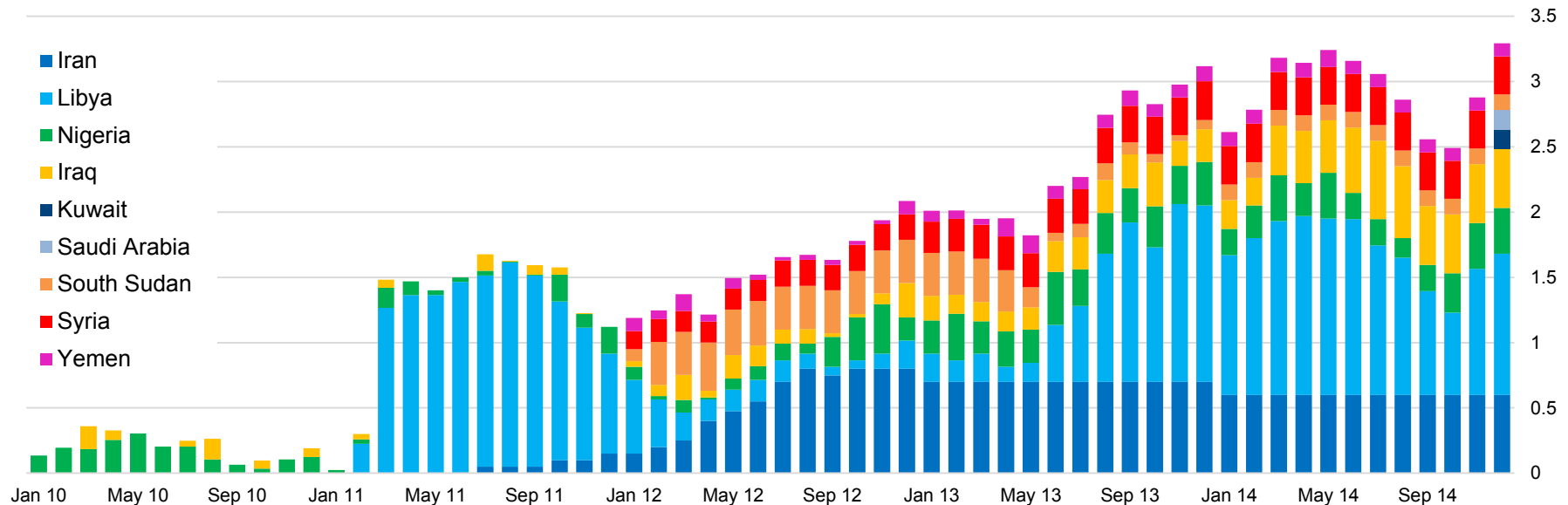
Source: DB Emerging Markets Research, Reuters, IEA, Deutsche Bank, U.S. Global Investors.

Potential OPEC supply disruptions



Estimated historical unplanned OPEC and Non-OPEC crude oil production outages

Millions barrels per day

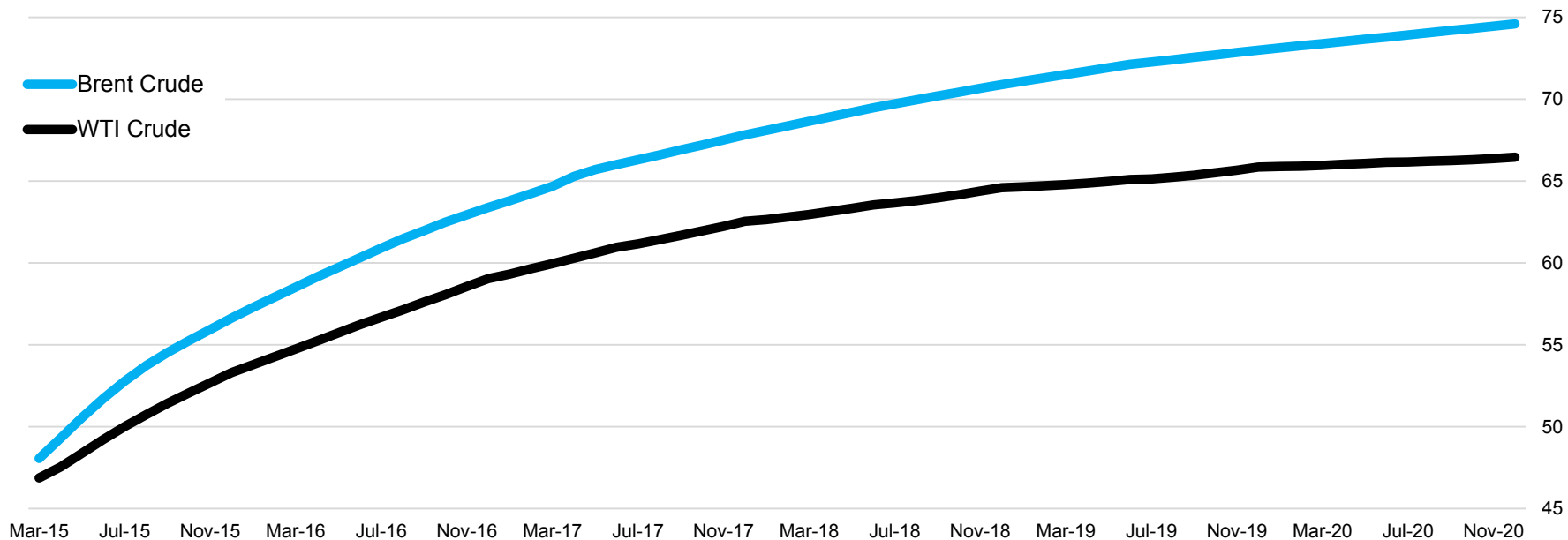


Source: Short-term Energy Outlook, December 2014.

Predicting future oil prices is a mugs game



5 year forward futures curve



Source: Bloomberg, Credo Capital plc.

Here is what we do know



- This is **not a demand** led shock
- **Non-conventional supply is unsustainable** at these prices, and **production will decline**, but will only be seen in **Q4 2015** and beyond
- Significant portions of **conventional supply is unsustainable** at these prices, and **production output will decline** as capex is cut
- Most OPEC and major **oil export driven economies** (Russia, Norway) **are unable to balance** their **fiscal budgets** at current pricing
- Incentives to **invest in alternative energy** projects **will slow**

Here is what we don't know



- Will **global demand strengthen** or **weaken**?
- If this turns into a demand led shock, then all bets are off!
- Will **Non-OPEC supply increase** by **less** than expected?
- Will **OPEC cut production**?
- Will there be **supply disruptions** triggered by **geopolitical instability**?
- Will **capex reductions today** lead to a **longer term supply shortage**?

In conclusion



- **Oil prices will remain weak for most of this year**
- During 2016, the combination of **firming demand and an erosion in U.S. shale** output should stabilize the market, allowing **prices to recover**
- And the **rebound** will come sooner if **OPEC supply is reduced**

On balance, we think the risks are that the oil price will recover faster and go higher than consensus

How do we take advantage of this



- Take a **long term view**
- Take a **diversified approach**, buy a basket of stocks
- **Scale in** your investments
- Buy **market leaders**
- Stocks to consider: **BP, Statoil, Halliburton, TGS Nopec, Tullow Oil**

The end





INTERNATIONAL
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2015
**KEEP CALM
& CARRY ON**
DEON GOUWS







“The only function of economic forecasting is to make astrology look respectable.”

J.K. Galbraith



Here Are 5 Things Wall Street Doesn't Expect To Happen That Really Could Happen

 **JEFF KLEINTOP, CHARLES SCHWAB**
JAN. 8, 2015, 8:47 AM ▲ 2,070 ● 1

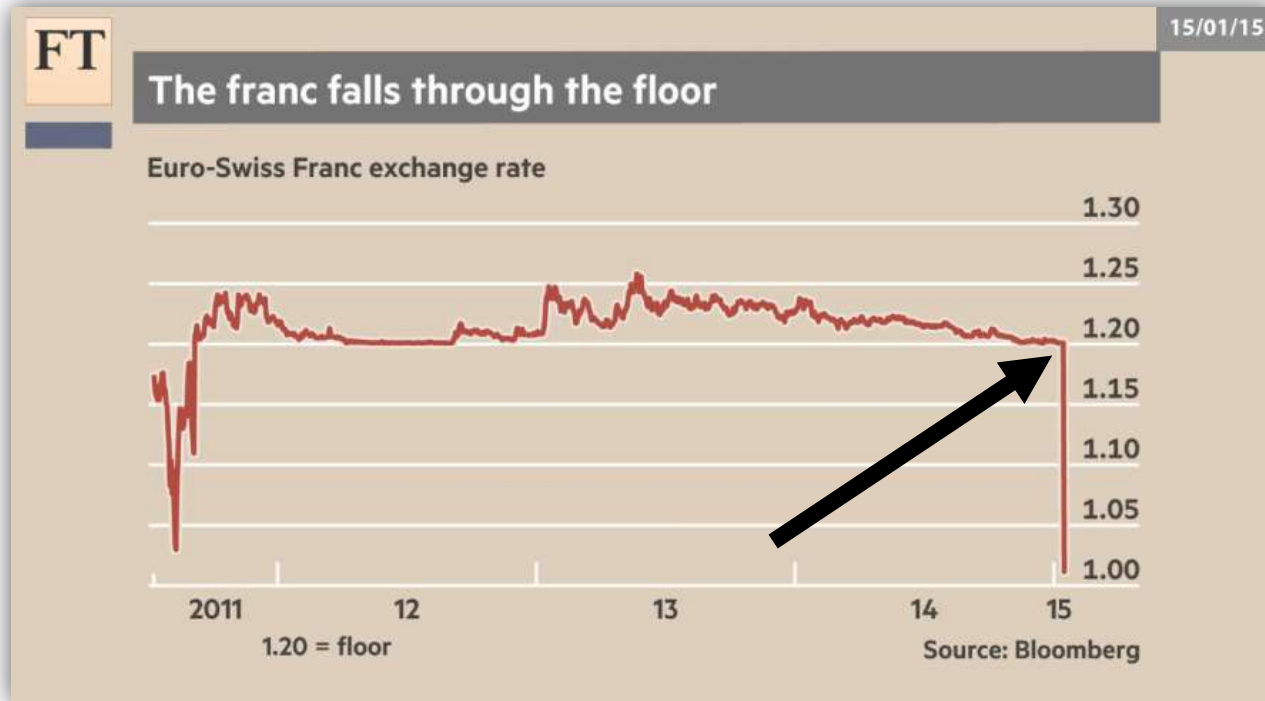
Below are the top five potential outcomes that could surprise investors in 2015.

Top five surprises for 2015:

1. China's growth accelerates
2. The Federal Reserve doesn't raise interest rates
3. Europe implements aggressive stimulus
4. The dollar falls
5. Stock market volatility surges

These are not necessarily surprises we expect to happen in 2015, but ones we want to be mindful of given that market participants in general seem unprepared for them and that such situations could prompt a dramatic reaction if they occur.

ONE week later...



Market pundits:

*People who profess to have knowledge
about things that can't be known.*

*Combines the skill of an actor, the ridiculousness of a comedian,
the believability of priests & the credibility of politicians.*

Motley Fool

Speaking of the ridiculousness of a comedian...



 **Joseph Weisenthal**
@TheStalwart Follow

Yesterday's Swiss Franc move was a once-in-a-billion year vent.
bloombergview.com/articles/2015-...

BV Bloomberg View

No One Was Supposed to Lose This Much Money on Swiss Francs
By Bloomberg View @BV

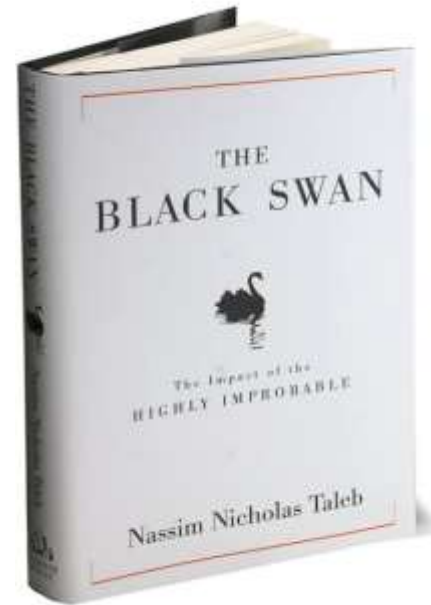
It's kind of cheap to make fun of VaR and margins after a 20-sigma move, but here we are.



[View on web](#)

RETWEETS: 29 FAVORITES: 28

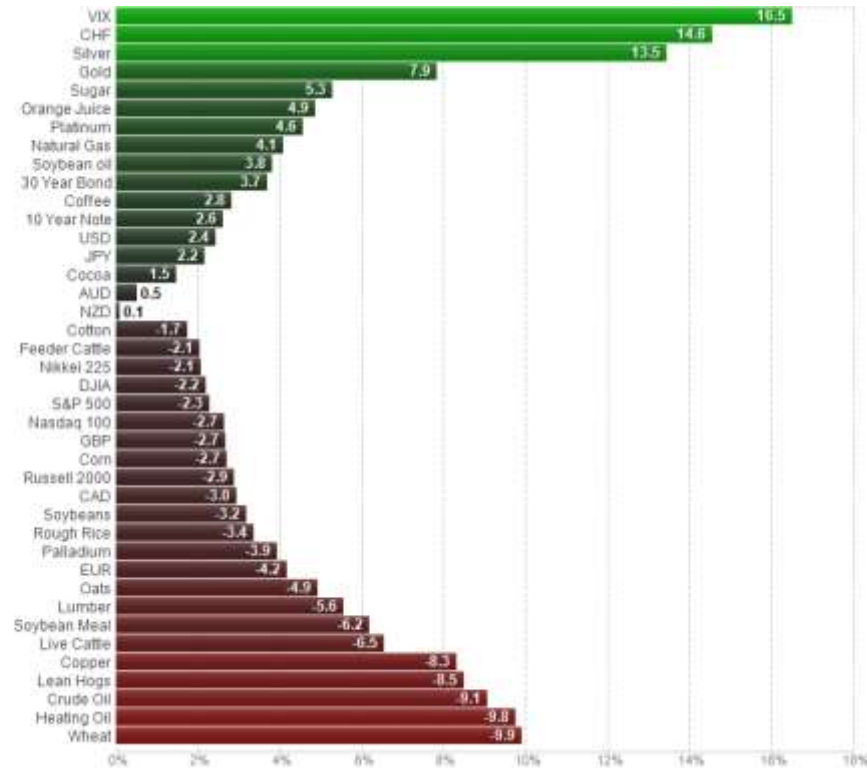
8:45 PM - 16 Jan 2015



So we should be “safe” until approximately 1000002015 then?

Best performing financial index year to date?

to 19 Jan 2015 (via Finviz.com)



Following an eventful year

2014 in headlines



US Federal Reserve **ends QE stimulus** programme
BBC, 29 Oct 2014

Japan's central bank shocks markets with more easing as inflation slows
Reuters, 31 Oct 2014

ECB unleashes €400bn lending programme and negative interest rates
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Reuters, September 8

S&P closes at 46th new high for this year
WORLD ECONOMIC OUTLOOK

Euro bond yields fall to new record lows
Forbes, November 21

Global Growth Disappoints, Pace of Recovery Uneven and Country-Specific
IMF, 7 Oct 2014

Ukraine: Putin approves draft bill for Russia to annex Crimea
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Source: Deutsche Bank

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Source: Deutsche Bank.

Exactly a year ago:



CITY A.M.

BUSINESS WITH PERSONALITY

HOW TO BEAT THE TUBE STRIKE

EVERYTHING YOU NEED TO KNOW TO HELP NAVIGATE THE 40-HOUR WALKOUT

See Pages 1 and The Catalyst, Page 12

FREE

SPOOKED

Markets rattled as shock US data and looming debt ceiling spark investor sell-off

BY NICK SPENCER

US STOCKS were sent into a volatile gyrations after news of a sharp decline in manufacturing growth accompanied by a host of other factors.

The Bureau of Economic Analysis reported that the US economy grew at a slower rate than expected in the third quarter. The headline figure for the 3rd quarter was 1.4%, a slight improvement on the 1.2% reported in the 2nd quarter. However, the report also showed that the economy had lost 150,000 jobs in the 3rd quarter.

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NASDAQ DOWN 2.5%

NYSE DOWN 1.8%

CRUDE VOLATILITY INDEX UP 16.5%

S&P 500 DOWN 2.3%

MARKET YELLEN SWORN IN AS FEDERAL RESERVE CHIEF



Janet Yellen, the former head of the San Francisco Fed, has been sworn in as the new chair of the Federal Reserve.

Yellen's appointment comes as the Fed faces a period of uncertainty over its future role and the potential for a rate hike.

She will be the first woman to lead the Fed and the first Asian American.

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CITY A.M.

BUSINESS WITH PERSONALITY

Divons announces £3.5bn merger talks with Carphone Warehouse

See Page 4

Three stabbed at Bishopsgate

PHOTOGRAPH BY GUY AROCH FOR CITY A.M.

Three men were stabbed in a violent attack in the heart of the City of London in the early hours of the morning. The victims were taken to hospital and one is in a critical condition.

The attack took place in Bishopsgate, a major thoroughfare in the City. The victims were identified as 32-year-old Daniel Brown, 35-year-old Michael Smith, and 28-year-old James White.

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MARKETS HIT FRESH HIGHS

BY TOM HILL

Wall Street closed at its highest level in over a year, with the S&P 500 index rising to a new peak. The rally was driven by a combination of factors, including strong earnings reports and a dovish stance from the Fed.

The S&P 500 closed at 1,329.68, up 11.23 points from the previous close. The Dow Jones Industrial Average also reached a new high, closing at 13,054.43.

The rally was driven by a combination of factors, including strong earnings reports and a dovish stance from the Fed.

WhatsApp voice service to challenge mobile carriers

BY GUY SPENCER

WhatsApp has announced it will launch a voice service that will challenge mobile carriers. The service, called WhatsApp Voice, will allow users to make voice calls over the app.

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Generally best to ignore the noise...



"The market is fond of making mountains out of molehills & exaggerating ordinary vicissitudes into major setbacks."

Benjamin Graham

Generally best to ignore the noise...



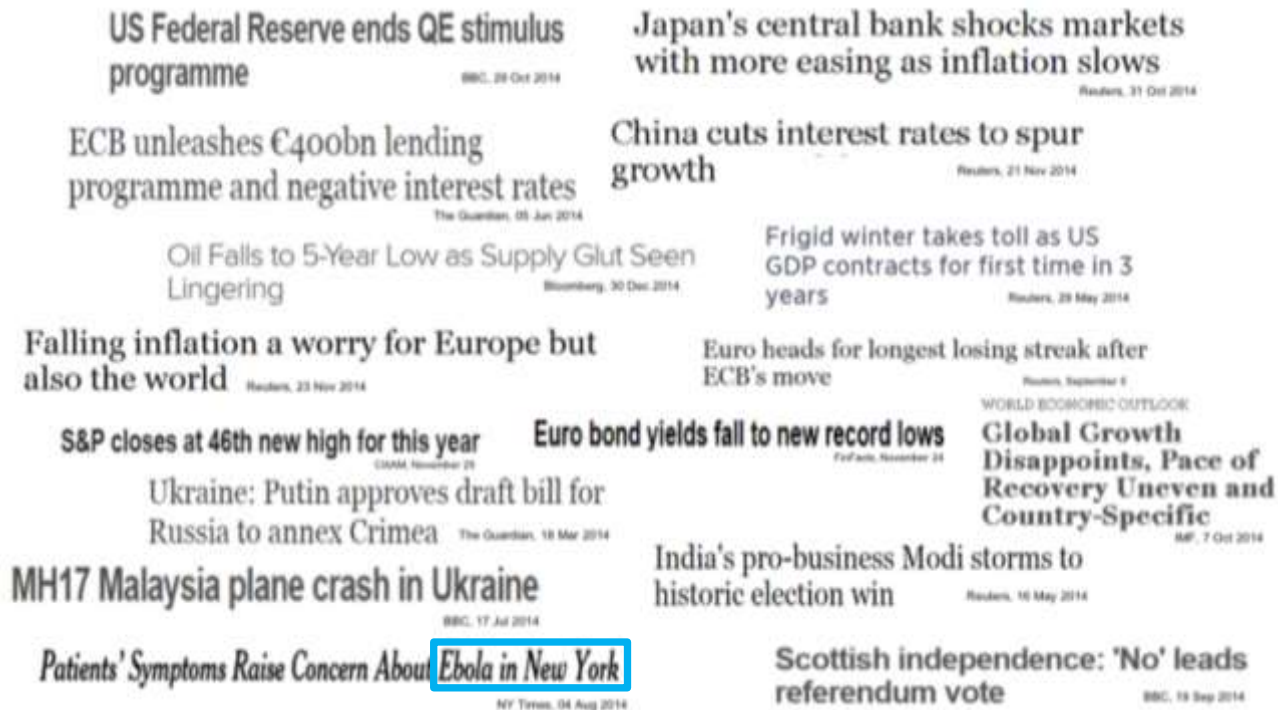
“Going back to 1957, the S&P 500’s average daily gain is 0.0255%. Roughly speaking, that means for every \$39 you have in the stock market, you make an average of one penny in capital gains each trading day.

Yet the average daily swing is about 40 cents. This means that you’re seeing 40 times the volatility of the value that’s actually being created, each day.

That’s more than 97% noise.”

Eddy Elfenbein, Oct. 2014

Noise: A perfect example?



Source: Deutsche Bank.

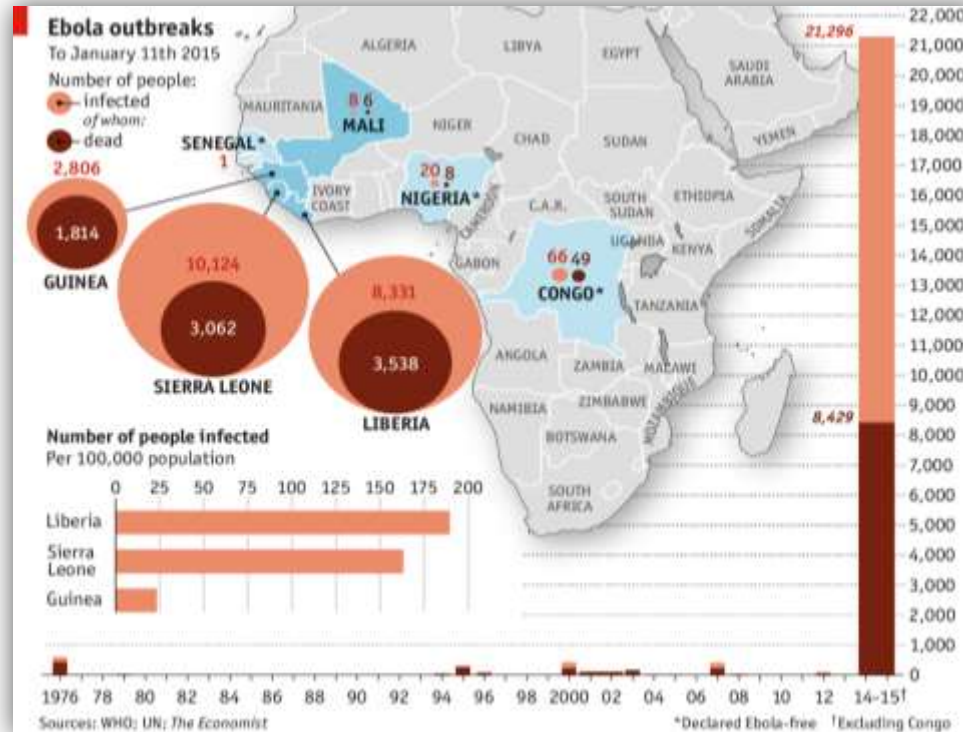
Ebola

another case of “misplaced” perception of risk?



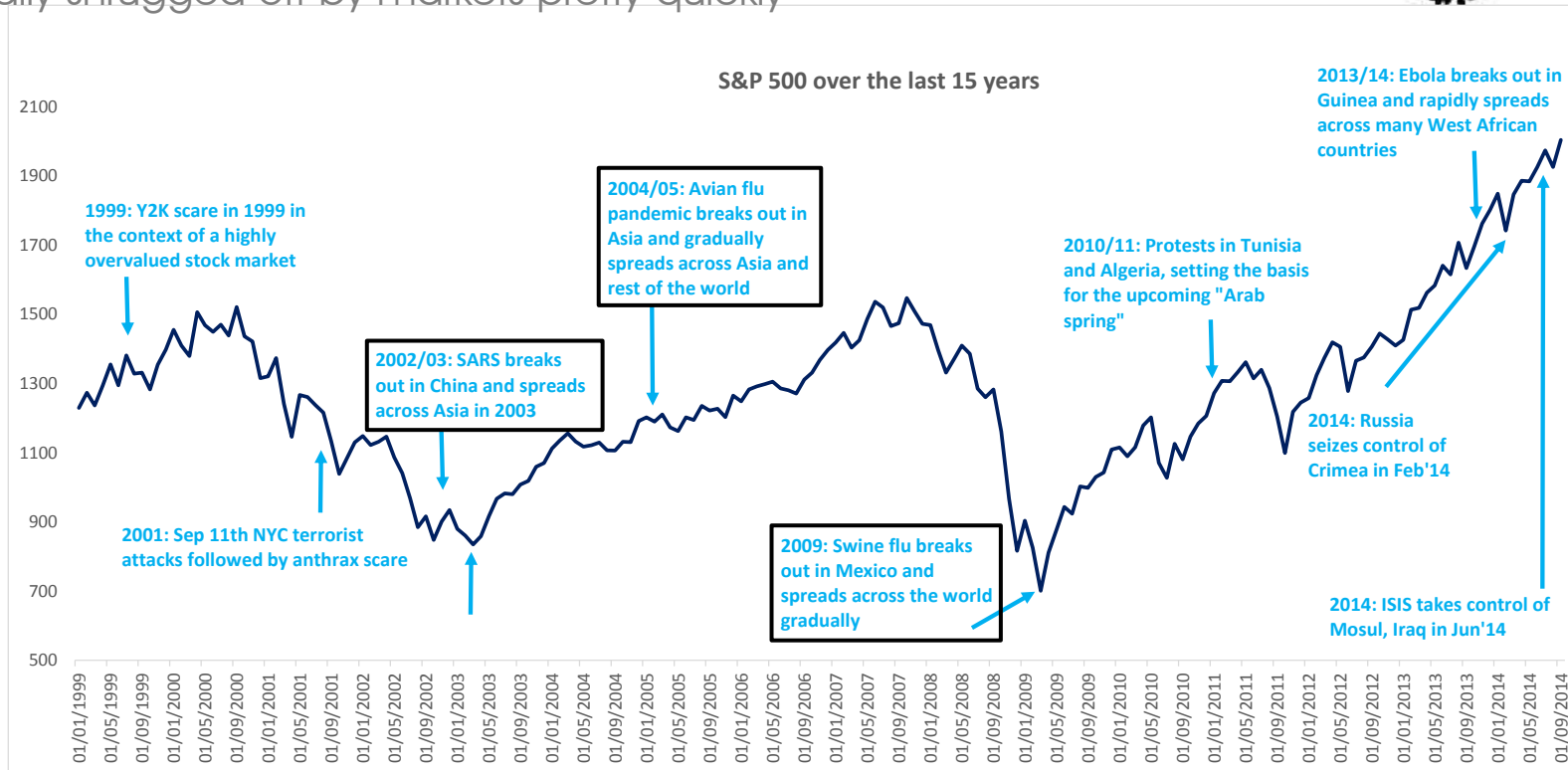
Ebola update (11 Jan 2015)

the human aspect is not noise...



Pandemics in the past

typically shrugged off by markets pretty quickly



Source: Credo Group, Datastream.

What about the end of QE?



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FoxBiz, November 24

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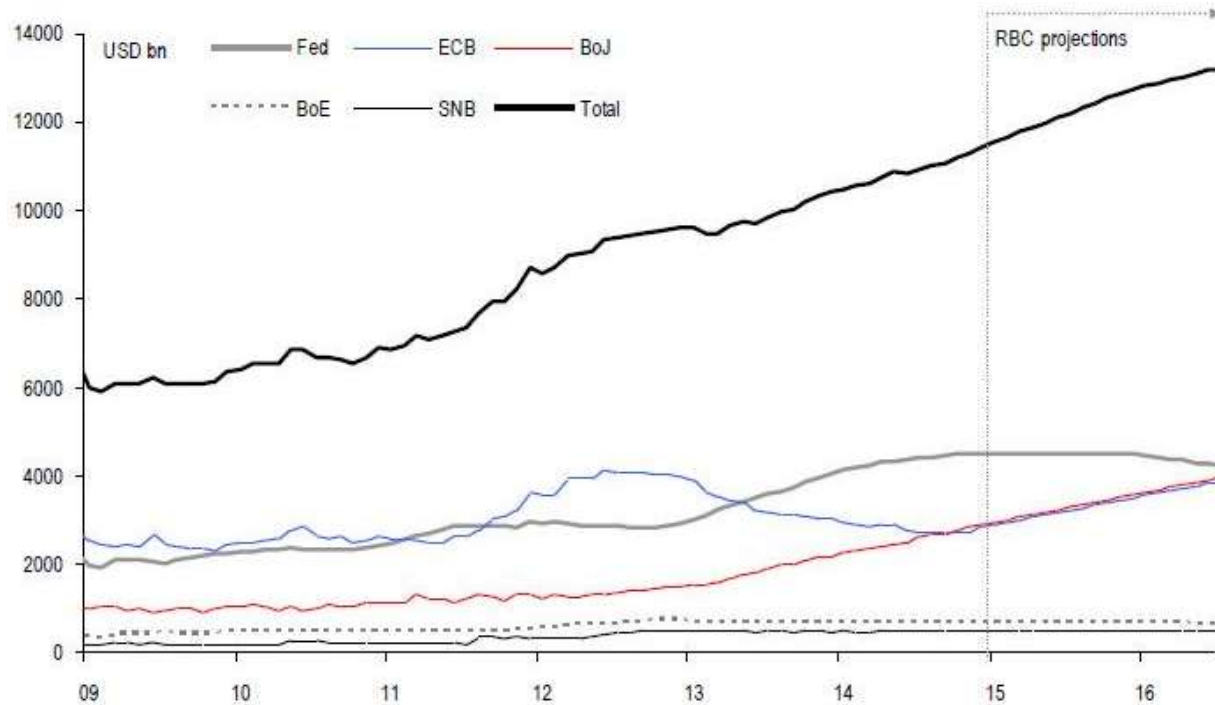
Patients' Symptoms Raise Concern About Ebola in New York
NY Times, 04 Aug 2014

Scottish independence: 'No' leads referendum vote
BBC, 18 Sep 2014

Source: Deutsche Bank.

Or perhaps not...

(not yet, anyway)



Source: RBC Capital Markets.

The elephant in the room

European deflation...



The elephant in the room

European deflation...



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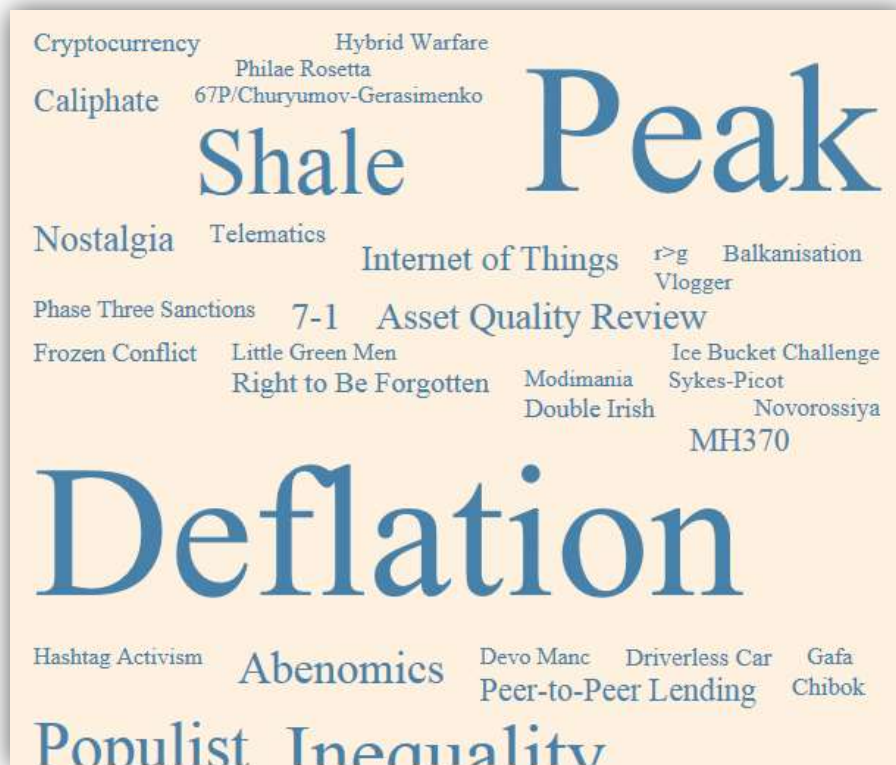
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BBC, 18 Sep 2014

Source: Deutsche Bank.

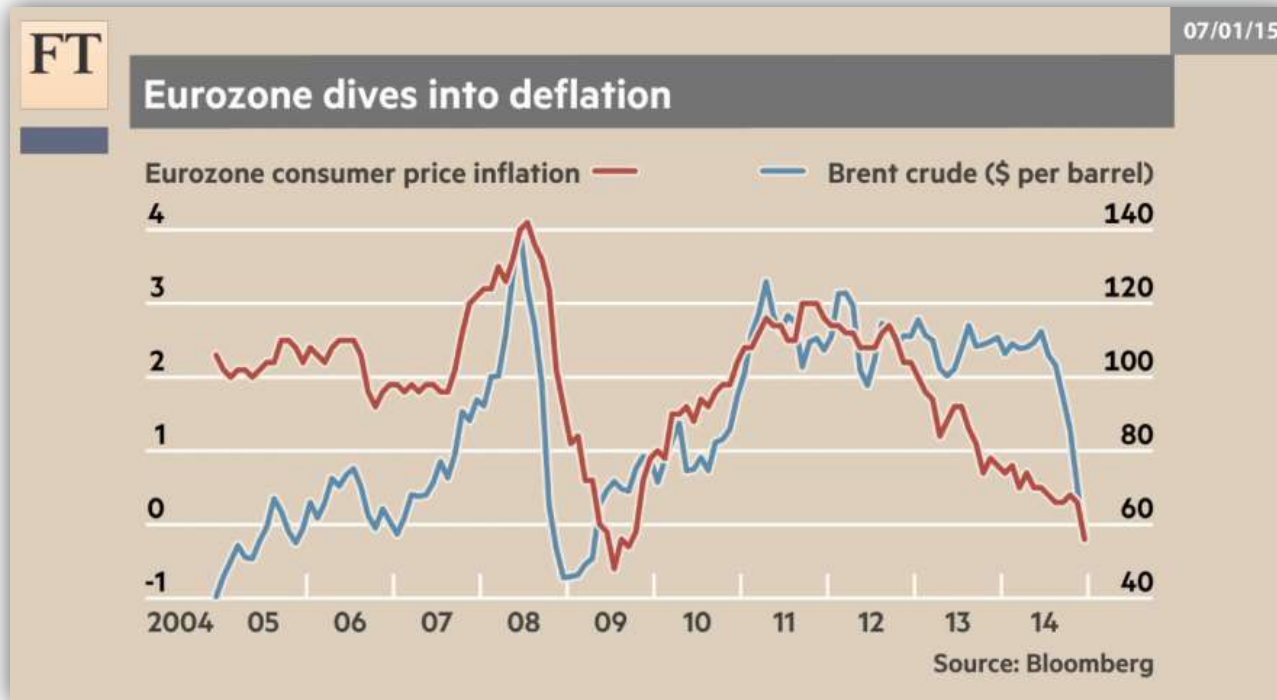
A year in a word 2014

Financial Times



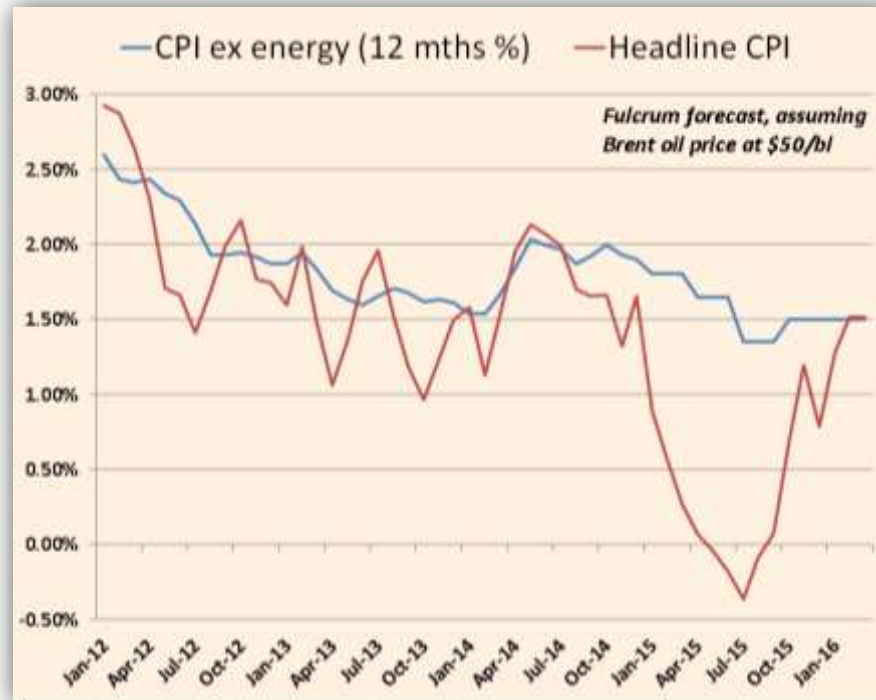
Deflationary effect of oil price (Europe)

but note: the trend was already in place before...



Deflationary effect of oil price (US)

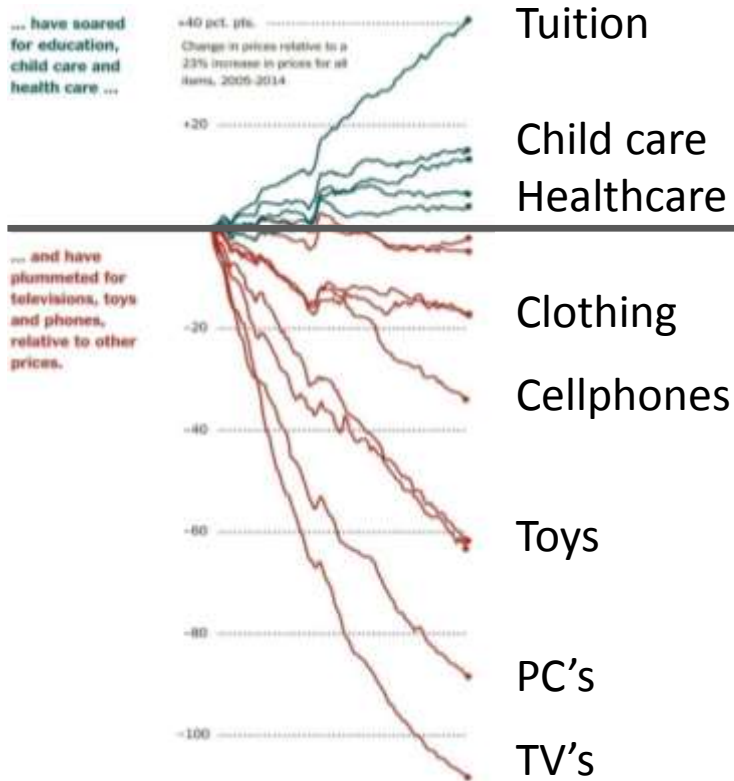
US core & headline inflation



Source: G. Davies, FT Blogs.

Costs for Americans

relative to overall 23% increase, 2005-2014



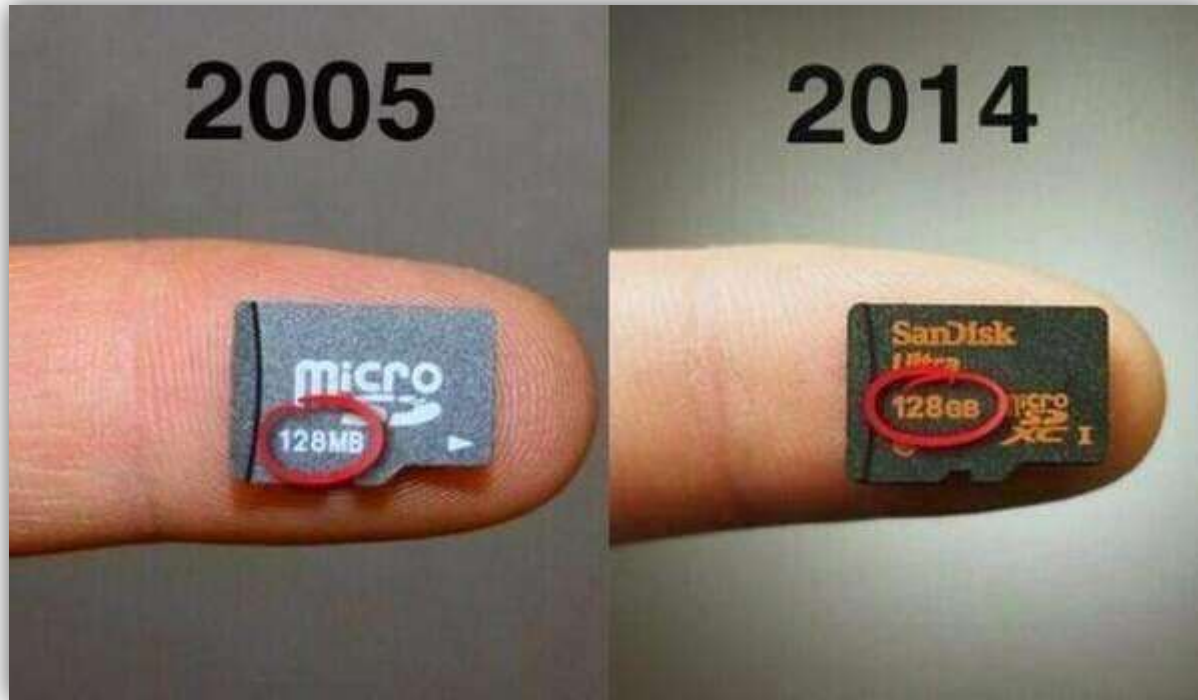
Services:
inflationary pressures

Tech, China effect:
deflationary pressures

Source: L Buchanan, A. Parlapiano, Bureau of Labor Statistics.

Moore's law

"good" deflation!



More good deflation

some “reality check” questions



Situation

Response?

Food prices drop

Will people stop eating?

Petrol price drops

Will people stop driving?

Handle on frying pan falls off

Purchase later as it might get cheaper?

Computers / electronic devices getting cheaper

Delay purchasing as long as prices decline?

Medical expenses drop

How long can you delay treatment?

Child's birthday next week

Delay present as toys are getting cheaper?

Lease is up, you have to move

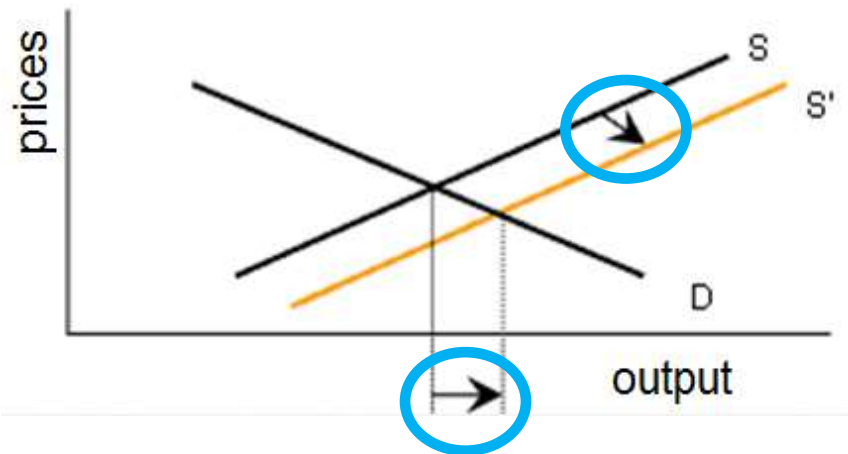
Can you wait 6 mths for a better rent?

Good deflation vs bad deflation

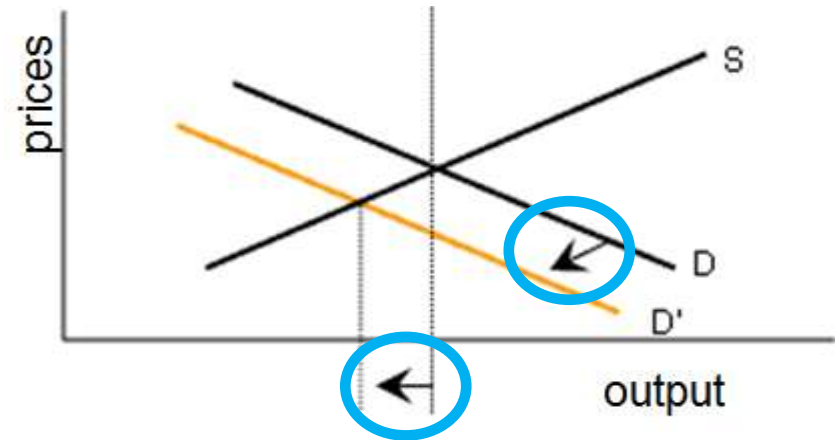
utilising the wonders of Economics 101



Good deflation: fall in prices



Bad deflation: fall in demand



Good deflation vs bad deflation summarised



Good deflation

illustrated

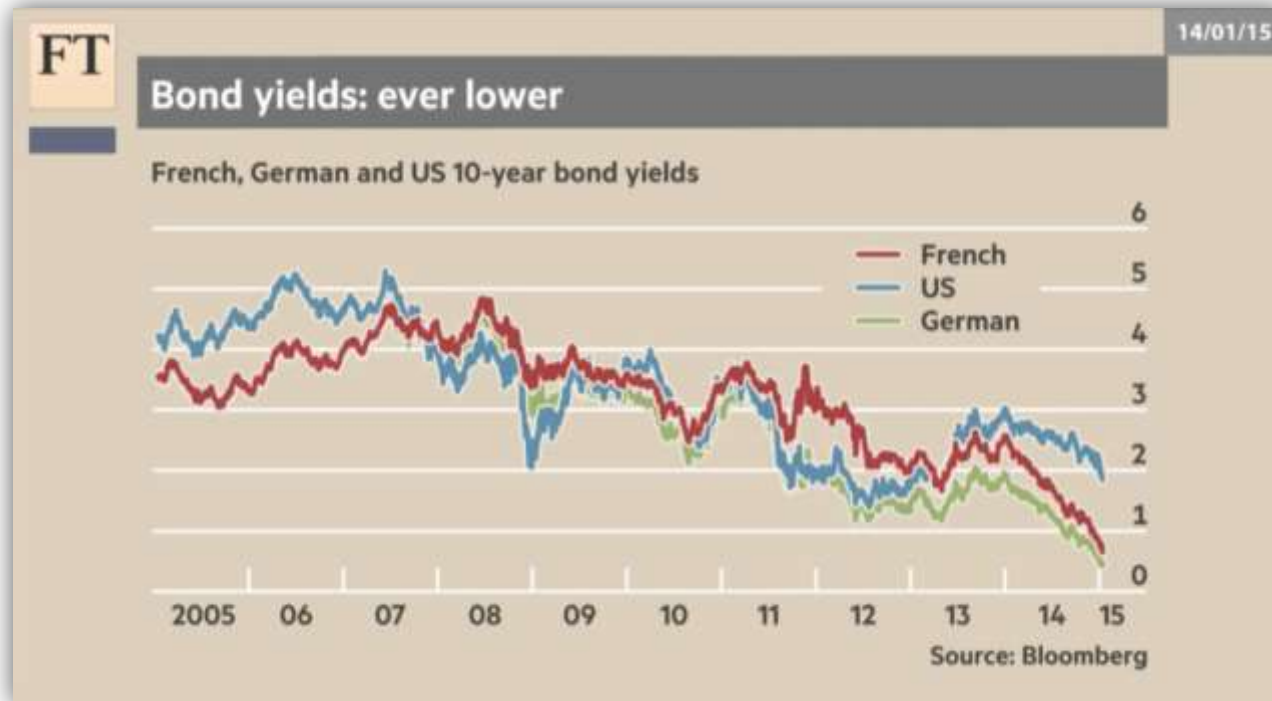


***“I remember when you could
buy a pint, have a haircut
and go to the cinema
for exactly what it costs now”***

MATT, The Telegraph

Various forms of QE in response to deflation risk

driving bond yields lower



Switzerland: an extreme example of low rates

all bond yields to 10 years now negative



Name	Coupon	Mat. Dat	Curr	Bid	Ask	Net. Chng	Bond			
							Type	B Yld	A Yld	
SWISS	6/15	3.750	10JUN15	CHF	B↑101.650	A101.750	-0.004	STR	-0.473	-0.719
SWISS	3/16	2.500	12MAR16	CHF	B↑103.460	A103.610	-0.040	STR	-0.506	-0.632
SWISS	0/16	2.000	12OCT16	CHF	B↓104.500	A104.650	+0.350	STR	-0.583	-0.666
SWISS	6/17	4.250	05JUN17	CHF	B↑111.750	A111.900	+0.110	STR	-0.642	-0.700
SWISS	1/18	3.000	08JAN18	CHF	B↑110.850	A111.000	+0.150	STR	-0.613	-0.659
SWISS	5/19	3.000	12MAY19	CHF	B↓115.261	A115.962	-0.009	STR	-0.493	-0.639
SWISS	7/20	2.250	06JUL20	CHF	B↑114.072	A115.273	-0.050	STR	-0.302	-0.501
SWISS	4/21	2.000	28APR21	CHF	B↑114.078	A115.279	-0.023	STR	-0.226	-0.401
SWISS	5/22	2.000	25MAY22	CHF	B↑115.854	A117.055	+0.219	STR	-0.145	-0.293
SWISS	2/23	4.000	11FEB23	CHF	B↑133.320	A134.521	+0.394	STR	-0.114	-0.238
SWISS	6/24	1.250	11JUN24	CHF	B↑111.942	A113.143	+0.532	STR	-0.020	-0.139
SWISS	7/25	1.500	24JUL25	CHF	B↑115.241	A117.242	+0.208	STR	0.046	-0.128
SWISS	5/26	1.250	28MAY26	CHF	B↑113.178	A115.179	+0.539	STR	0.084	-0.080
SWISS	6/27	3.250	27JUN27	CHF	B↑139.090	A140.466	+1.306	STR	0.088	-0.003
SWISS	4/28	4.000	08APR28	CHF	B↓150.923	A152.299	+1.352	STR	0.115	0.034
SWISS	6/31	2.250	22JUN31	CHF	B↑131.884	A133.885	+0.772	STR	0.264	0.158
SWISS	4/33	3.500	08APR33	CHF	B↑155.546	A159.547	+0.763	STR	0.348	0.176
SWISS	3/36	2.500	08MAR36	CHF	B↑142.072	A146.073	+0.905	STR	0.416	0.257
SWISS	6/37	1.250	27JUN37	CHF	B↑117.288	A121.289	+0.909	STR	0.439	0.271
SWISS	4/42	1.500	30APR42	CHF	B↑126.056	A130.057	+1.301	STR	0.479	0.344
SWISS	1/49	4.000	06JAN49	CHF	B↑207.177	A213.178	+1.683	STR	0.538	0.418
SWISS	6/64	2.000	25JUN64	CHF	B↑159.050	A169.051	+0.940	STR	0.612	0.442

Source: J. McGeever, Reuters.



Eddy Elfenbein

@EddyElfenbein

ECJ OK'd the ECB's QE and
OMT

15/01/2015 04:24

WTF? (Whaddabout The Fed?)
LOL! (Lower Oil for Longer!)

FINANCIAL TIMES

€60bn

monthly asset
purchases until
at least Sept 2016



NEW GLOBAL ECONOMY

ECB unleashes quantitative easing

Asset purchases to total €60bn a month until September 2016

NEW THE WORLD

Live blog: The ECB unveils full-scale QE

The latest from the central bank and reaction

NEW GLOBAL MARKET OVERVIEW

Stocks jump and euro slumps on ECB QE

Gold and bond prices fall as haven demand wanes

12:14pm

Finland opens door to Greece renegotiation

Stubb says debt maturity extension is possible

10:00am

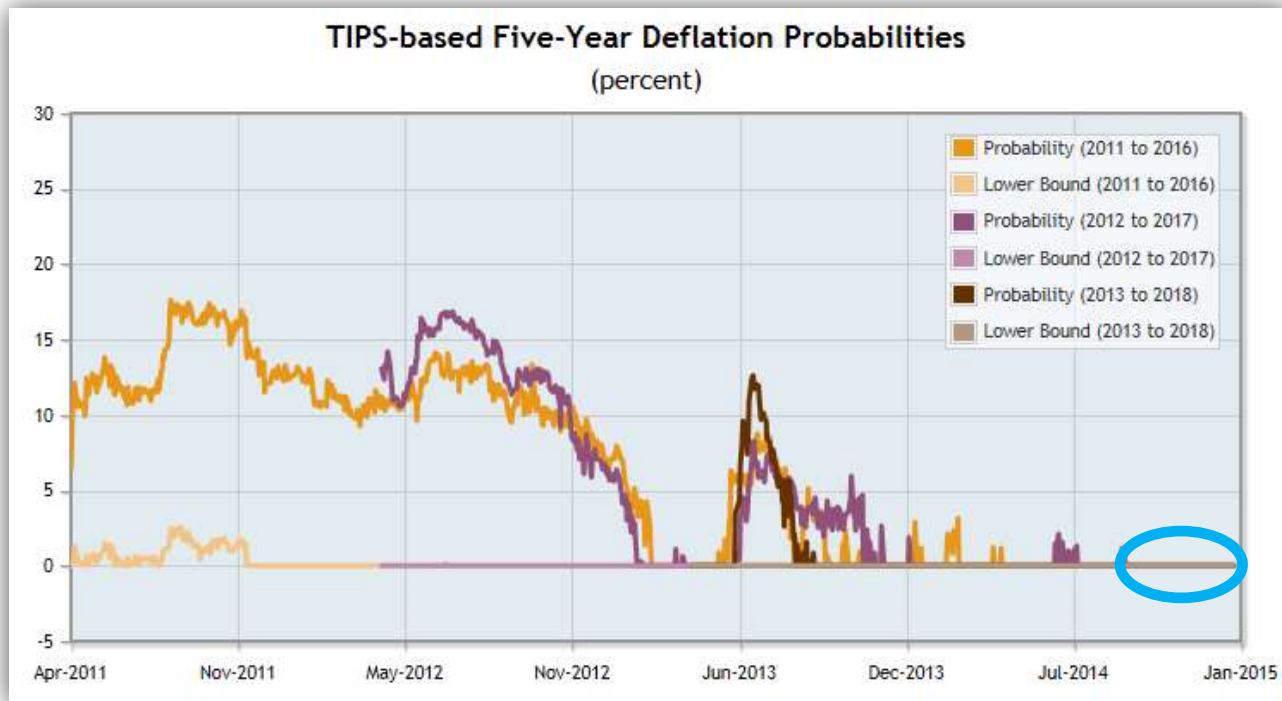
Monitise considers sale on revenue

“an astonishingly belated response by a deeply flawed institution to the events that started seven-and-a-half years ago”...

Allister Heath, The Telegraph

Longer term view

high inflation ultimately more likely than any sustained deflation?



Source: Federal Reserve Bank of Atlanta.

Longer term view

high inflation is ultimately more likely than any sustained deflation



“Each success only buys an admission ticket to a more difficult problem...”

Henry Kissinger, 1979

What does this mean for markets?

given that assets are not particularly cheap to start with...



US Federal Reserve ends QE stimulus programme
BBC, 29 Oct 2014

Japan's central bank shocks markets with more easing as inflation slows
Reuters, 31 Oct 2014

ECB unleashes €400bn lending programme and negative interest rates
The Guardian, 05 Jun 2014

China cuts interest rates to spur growth
Reuters, 21 Nov 2014

Oil Falls to 5-Year Low as Supply Glut Seen Linger
Bloomberg, 30 Dec 2014

Frigid winter takes toll as US GDP contracts for first time in 3 years
Reuters, 29 May 2014

Falling inflation a worry for Europe but also the world
Reuters, 23 Nov 2014

Euro heads for longest losing streak after ECB's move
Reuters, September 8

S&P closes at 46th new high for this year

Euro bond yields fall to new record lows
FoxNews, November 21

WORLD ECONOMIC OUTLOOK

Global Growth Disappoints, Pace of Recovery Uneven and Country-Specific
IMF, 7 Oct 2014

Ukraine: Putin approves draft bill for Russia to annex Crimea
The Guardian, 18 Mar 2014

MH17 Malaysia plane crash in Ukraine
BBC, 17 Jul 2014

India's pro-business Modi storms to historic election win
Reuters, 16 May 2014

Patients' Symptoms Raise Concern About Ebola in New York
NY Times, 04 Aug 2014

Scottish independence: 'No' leads referendum vote
BBC, 18 Sep 2014

Source: Deutsche Bank.

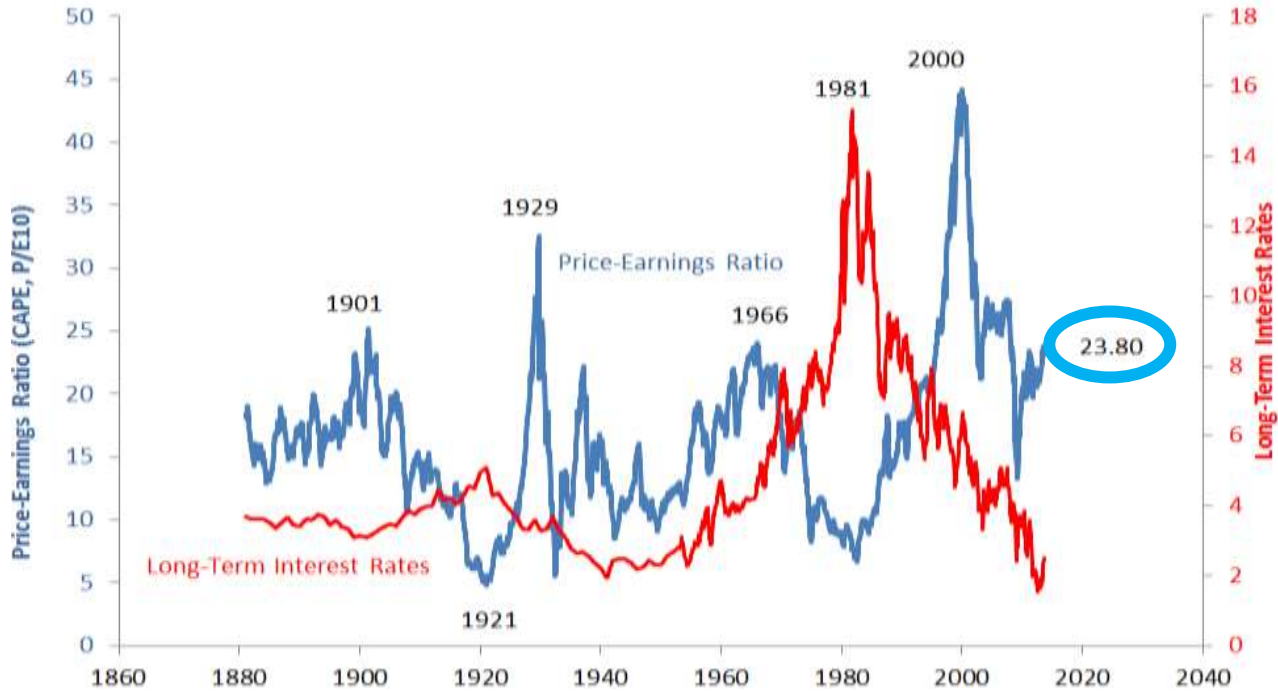
Market returns 2014



Source: Thomson Reuters Datastream.

Remember CAPE?

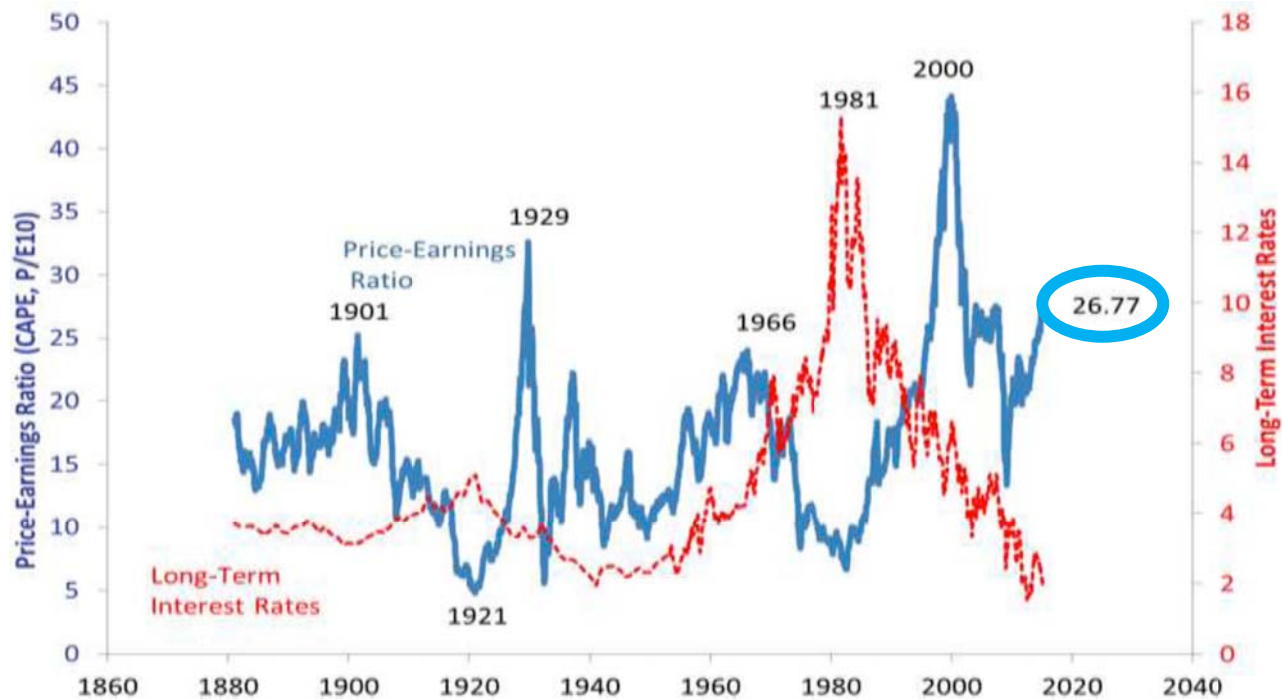
as shown at last year's Credo Conference



Source: Robert J Shiller.

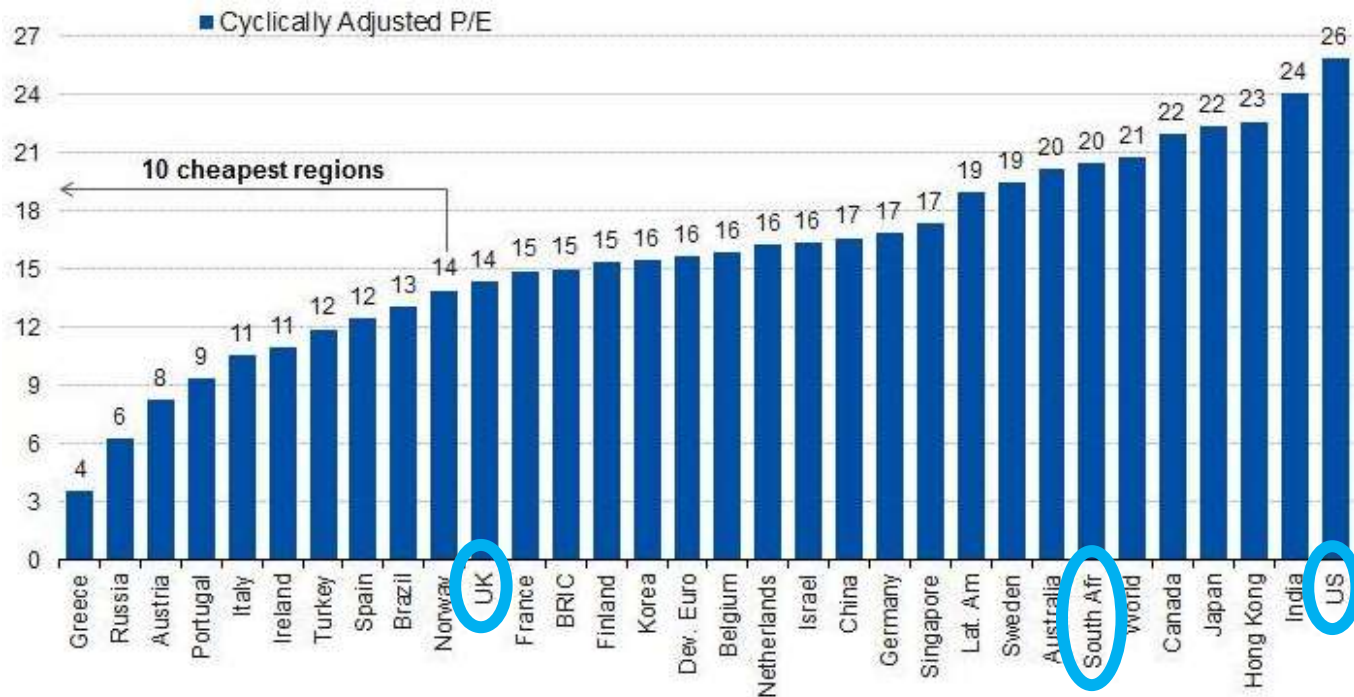
Cyclically adjusted PE ratio

updated



Source: Robert J Shiller.

Global equity valuations



Source: Credit Lyonnais Securities Asia, FactSet Franklin Templeton Investments.

Starting CAPE vs REAL returns of 15 following years (p.a.)

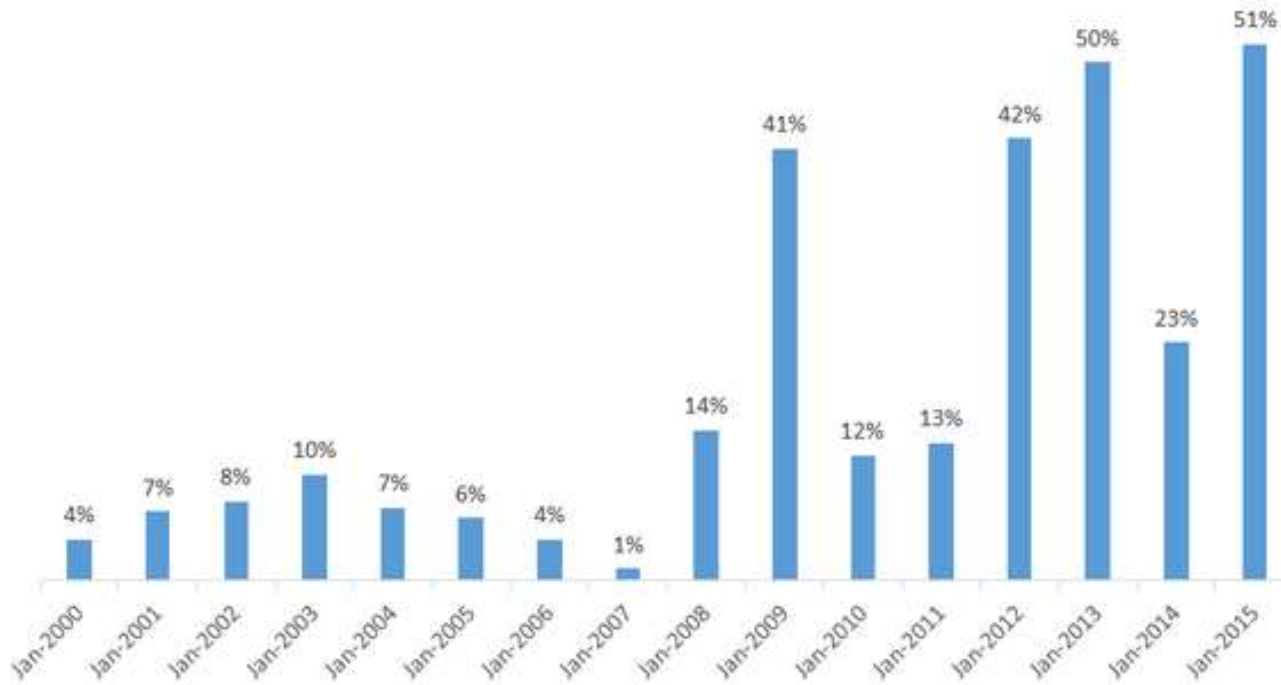


	CAPE			0 - 8			8 - 12			12 - 16			16 - 20			20 - 24			24 - 28			28 - 32			
	©	#	Start	min 25%	Med	max 75%	min 25%	Med	max 75%	min 25%	Med	max 75%	min 25%	Med	max 75%	min 25%	Med	max 75%	min 25%	Med	max 75%	min 25%	Med	max 75%	
Australia	16,5	225	1979	11% 12%	11,9%	12% 12%	8% 10%	10,1%	12% 11%	6% 7%	8,2%	12% 9%	4% 5%	5,7%	8% 6%	4% 5%	5,4%	6% 5%	3% 3%	3,2%	3% 3%				
Belgium	14,7	225	1979	15% 16%	16,9%	18% 17%	13% 14%	12,1%	18% 18%	0% 3%	9,4%	17% 2%	0% 2%	7,9%	13% 10%	0% 1%	5,5%	9% 6%	0% 0%	0,0%	0% 0%	-1% -1%	-1,0%	-1% -1%	
Canada	19,6	225	1979	9% 9%	9,4%	11% 10%	5% 7%	8,0%	11% 9%	2% 6%	7,0%	11% 9%	4% 7%	8,9%	11% 11%	6% 8%	8,1%	8% 6%	6% 6%	6,4%	7% 7%	8% 5%	5,1%	6% 5%	
France	19,9	204	1981	12% 13%	14,0%	16% 15%	13% 14%	14,1%	16% 15%	6% 14%	15,2%	16% 10%	3% 6%	7,1%	15% 9%	2% 5%	6,3%	12% 7%	2% 3%	6,6%	11% 9%	2% 3%	6,1%	9% 8%	
Germany	18,2	225	1979	13% 13%	13,1%	14% 14%	6% 9%	11,2%	12% 12%	4% 6%	8,6%	14% 12%	2% 5%	5,9%	11% 7%	3% 4%	5,6%	10% 6%	2% 0%	3,7%	3% 4%	2% 3%	3,1%	3% 3%	
Hong Kong	18,6	95	1990				9% 9%	9,9%	11% 10%	7% 8%	9,1%	10% 10%	6% 6%	7,0%	10% 9%	3% 5%	5,9%	10% 7%	1% 2%	2,0%	4% 4%	1% 1%	0,7%	1% 1%	
Italy	23,0	53	1994										1% 3%	3,1%	4% 0%	0% 0%	1,0%	2% -1%	-1%	-0,5%	0% -1%	-1% -1%	-1,1%	-1% -1%	
Japan	39,2	225	1979							7% 7%	6,8%	7% 7%	6% 7%	7,2%	8% 8%	5% 5%	5,7%	7% 7%	2% 2%	1,6%	5% 4%	-2% 2%	2,9%	4% 4%	
Netherlands	12,4	225	1979	14% 15%	16,4%	21% 18%	7% 8%	10,0%	16% 15%	3% 5%	5,6%	10% 7%	2% 3%	4,2%	5% 5%	2% 2%	1,7%	2% 1%	0% 1%	0,8%	1% 0%	0% 0%	0,4%	1% 1%	
Norway	14,4	225	1979	12% 13%	13,4%	14% 14%	3% 6%	9,4%	14% 11%	3% 6%	6,8%	12% 8%	1% 4%	5,4%	7% 7%	6% 6%	6,3%	7% 2%	4% 5%	5,0%	6% 5%	4% 4%	4,4%	4% 4%	
Singapore	22,4	189	1982				8% 8%	7,7%	9% 6%	5% 7%	7,4%	8% 5%	5% 5%	5,2%	7% 7%	3% 3%	4,1%	7% 2%	2% 2%	4,5%	6% 6%	-1% 2%	2,7%	4% 3%	
Spain	16,9	104	1990				10% 12%	12,5%	15% 14%	6% 8%	9,9%	13% 11%	4% 5%	7,6%	9% 9%	1% 2%	2,6%	3% 2%	2% 2%	2,1%	2% 1%	1% 1%	1,5%	2% 2%	
Switzerland	18,8	225	1979	8% 11%	12,2%	16% 14%	8% 10%	14,3%	16% 15%	9% 10%	11,9%	14% 9%	7% 3%	9,6%	12% 11%	4% 4%	6,7%	8% 5%	5% 5%	5,1%	6% 6%	4% 4%	4,0%	4% 4%	
UK	15,3	225	1979	11% 12%	12,3%	14% 13%	11% 12%	12,6%	14% 13%	4% 4%	7,2%	7% 3%	2% 3%	4,2%	5% 2%	2% 2%	2,3%	2% 2%	2% 2%	1,8%	2% 2%	2% 2%	2% 2%	2% 2%	
S&P 500	16,5	1.413	1881	6% 8%	10,1%	13% 13%	1% 1%	10,2%	16% 13%	1% 4%	6,8%	13% -1%	-1% -1%	5,4%	11% 7%	-1% -1%	2,0%	2% 2%	2% 2%	3,0%	2% 2%	0% 0%	2,3%	3% 3%	
All Countries	17,5	4.083	1881	6% 11%	13,1%	21% 15%	1% 8%	10,6%	18% 13%	0% 8%	7,5%	17% 10%	-2% 4%	5,9%	15% 8%	-2% 2%	4,2%	13% 6%	-1% 3%	4,2%	11% 6%	-2% 1%	2,8%	3% 4%	

Source: Norbert Keimling.

But then again...

% of S&P 500 companies with DY > 10yr Treasury yields



Source: S&P Capital IQ, Federal Reserve.

The bottom line

investment portfolios & deflation risk



- *Consider equities/markets in terms of underlying deflationary impact : good/bad?*
- *Look for value, don't overpay (same as ever)*

- *Bonds < 5 years (+/-): credit risk the most important*
- *Bonds > 5 years: (+/-): perhaps better to focus on **in**flation risk?*

The secret of a happy marriage?
as shown at last year's Credo Conference



"It's not looks, nor intelligence, nor money...



it's low expectations."

Some sound strategic advice



With the Fed exiting & the mess in Europe & collapsing commodities & the surging dollar & Ebola & Russian sanctions, things are pretty scary out there.

But the truth of the matter is, for your portfolio, none of these are the canary in the coal mine, YOU are.

*Having a **plan** is the only thing we can control:*

- *If you are a trader, trade,*
- *if you are a buyer & holder, hold,*
- *if you have a diversified portfolio, rebalance.*

Michael Batnick, Ritholtz Wealth Management, 14 Oct. 2014

Lots of pessimists out there...



We remain optimistic about the long term



We remain optimistic about the long term



“Optimistic people play a disproportionate role in shaping our lives.

Their decisions **make a difference**;

They are inventors, entrepreneurs, political and military leaders - not average people.

They got to where they are **by** seeking challenges and **taking risks**.”

Daniel Kahneman



Look to the long term
quoting Warren Buffett (again)



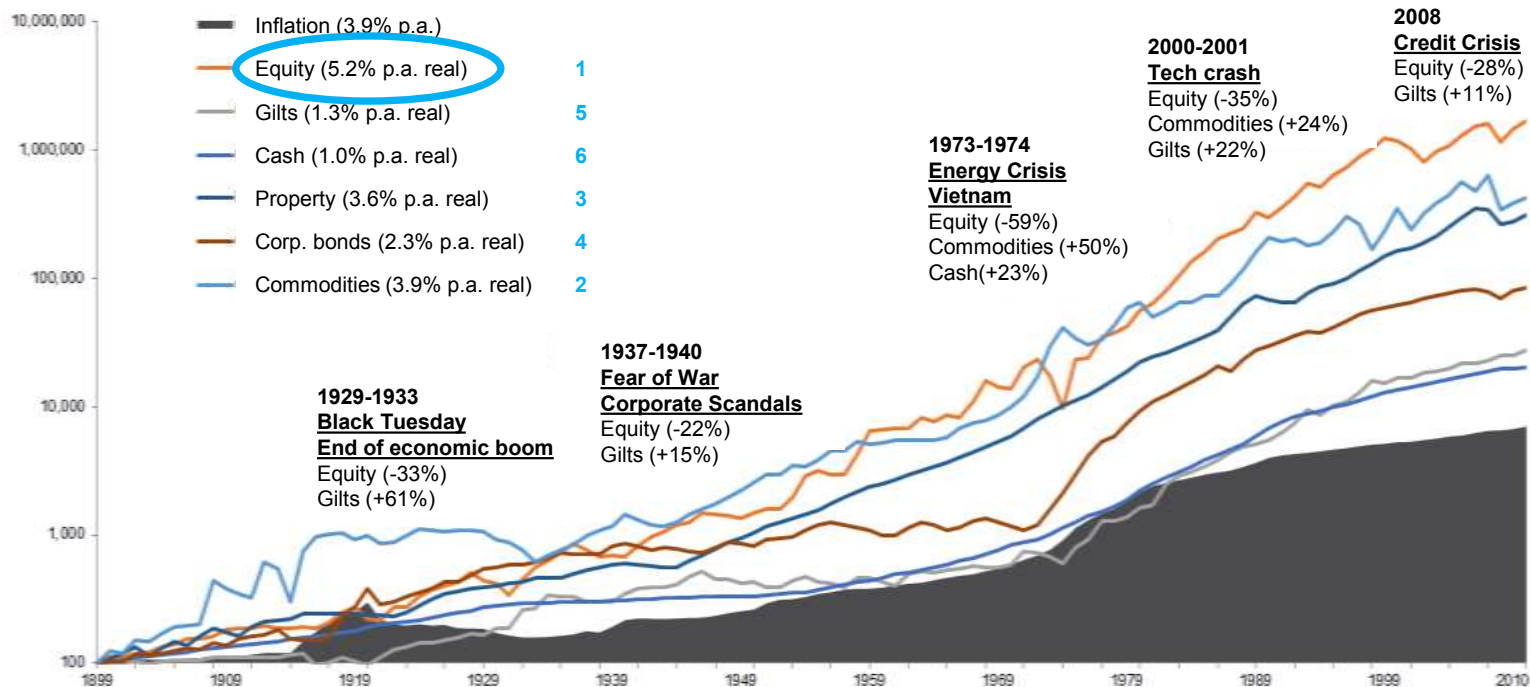
Over the long term, the stock market news will be good.

*In the 20th century, the United States endured **two world wars** and other traumatic and expensive **military conflicts**; the **Depression**; a dozen or so **recessions** and **financial panics**; **oil shocks**; a flu **epidemic** & the resignation of a **disgraced president**.*

Yet the Dow rose from 66 to 11,497.

Keeping calm, carrying on...

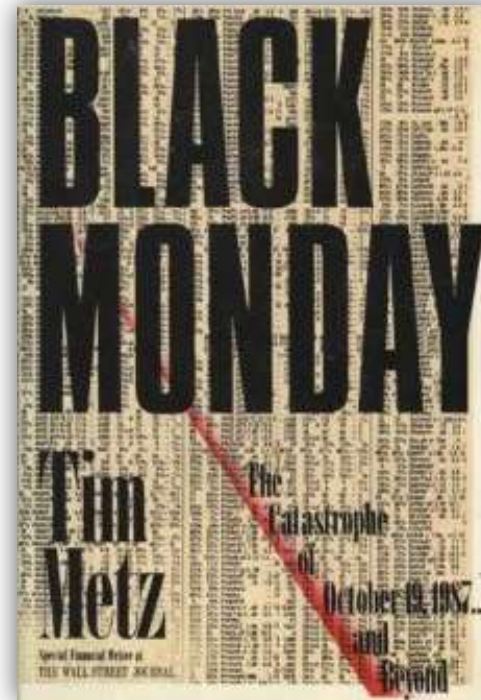
...in the real world



Source: AIM, Barclays Capital, Deutsche Bank, Case Shiller.

Remember October 1987?

1	19 Oct. 1987	-22.6%
2	28 Oct. 1929	-12.8%
3	18 Dec. 1899	-12.0%
4	29 Oct. 1929	-11.7%
5	6 Nov. 1929	-9.9%
6	12 Aug. 1932	-8.4%
7	14 Mar. 1907	-8.3%
8	26 Oct. 1987	-8.0%
9	15 Oct. 2008	-7.9%
10	21 Jul. 1933	-7.8%
11	18 Oct. 1937	-7.8%
12	1 Dec. 2008	-7.7%
13	9 Oct. 2008	-7.3%
14	1 Feb. 1917	-7.2%
15	27 Oct. 1997	-7.2%
16	5 Oct. 1932	-7.1%



Remember October 1987?



By all means follow a cautious approach...



But do not take all risk off the table!



But do not take all risk off the table!

“The best time to **plant a tree** was 20 years ago
The second best time is **now.**”
Ancient African Proverb



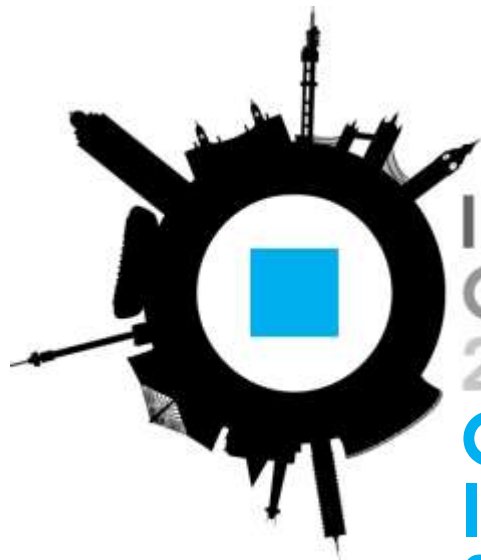
Finally...



#ThankYou



 [@DeonGouws_Credo](https://twitter.com/DeonGouws_Credo)



INTERNATIONAL
CONFERENCE

2015

**OUR
INVESTMENT
SUITE**

ALAN NOIK

CREDO
| WEALTH |

Credo's look alikes



Rikky Shoker
Ex-Credo Portfolio Manager



Shrien Dewani
...

Credo's look alikes



SJ du Preez
Credo Relationship Manager



Gregg Wallace
Masterchef UK Presenter

Asset Management

- Equity Solutions
- Fixed Income Solutions
- Multi-Asset, Fund Solutions

Trading Services

- Execution-Only
- Global Trading Platform

Asset management overview



- No internal funds, only model portfolios
- Segregated managed accounts
- Centrally managed by the Credo Investment Team

Investment team



Equities

Best Ideas Portfolio

Dividend Growth Portfolio

Special Opportunities
Portfolio

Fixed Income

Income Plus Portfolios

Low Volatility

Medium Volatility

High Volatility

Multi-Asset

Multi-Asset Portfolios

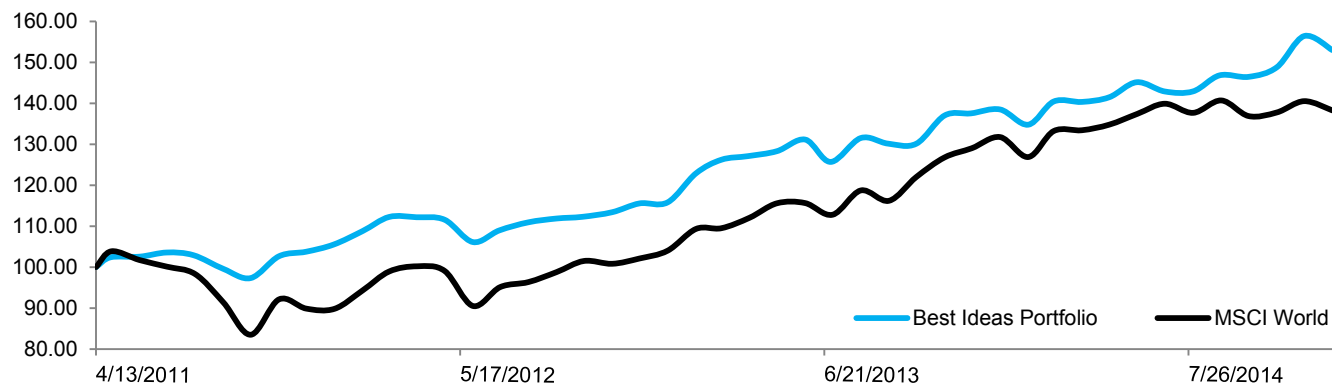
Cautious

Moderate

Growth

Adventurous

+53% vs. MSCI World +44% (14.04.2011 to 31.12.2014)



Source: Bloomberg pricing as at 31/12/2014 close.

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.

BEST IDEAS PORTFOLIO

Portfolio sample



	Trailing 12 Month P/E	12 Month Forward P/E	Dividend Yield
Danone	30.0x	18.4x	2.7%
Microsoft	17.0x	15.5x	2.5%
Portfolio Average	14.7x	14.2x	3.0%
MSCI World	17.6x	15.8x	2.6%



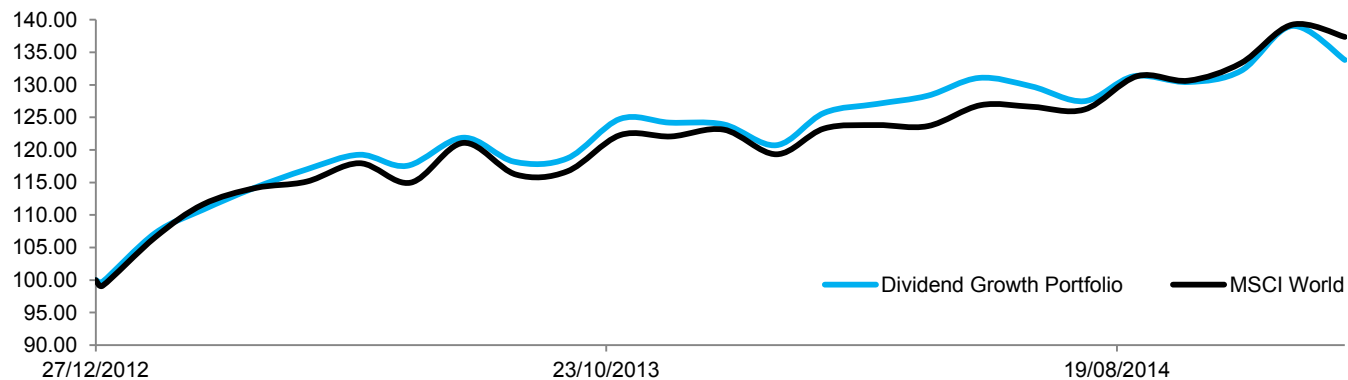
Source: Bloomberg pricing as at 31/12/2014 close.

DIVIDENDGROWTHPORTFOLIO

Performance since inception



+34% vs. MSCI World +37% (28.12.2012 to 31.12.2014)



Source: Bloomberg pricing as at 31/12/2014 close.

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.

DIVIDENDGROWTHPORTFOLIO

Portfolio sample



	Trailing 12 Month P/E	12 Month Forward P/E	Dividend Yield
Danone	30.0x	18.4x	2.7%
UPS	23.1x	19.7x	2.4%
Portfolio Average	15.0x	14.0x	3.7%
MSCI World	17.6x	15.8x	2.6%



Source: Bloomberg pricing as at 31/12/2014 close.

SPECIAL OPPORTUNITIES PORTFOLIO

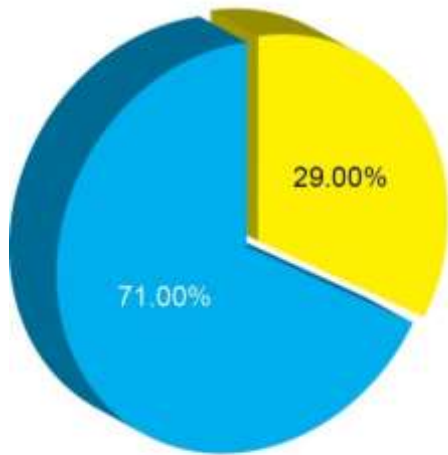


- Launched in July 2014
- High conviction portfolio of between 7-15 stocks
- Relaxation on market capitalisation - but liquid
- Challenging markets
- Only 3 stocks
- 70% in cash

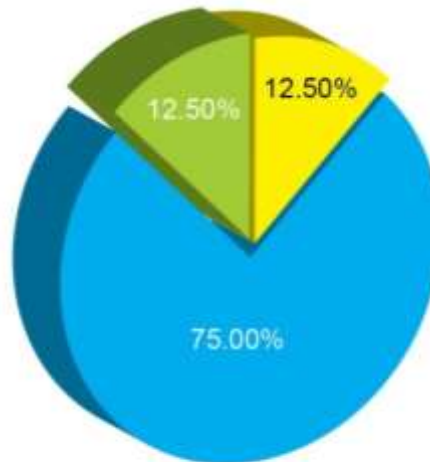


INCOMEPLUSPORTFOLIOS

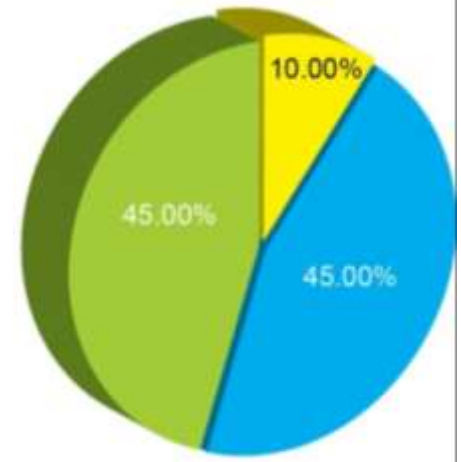
Portfolio choice



Low Volatility



Medium Volatility

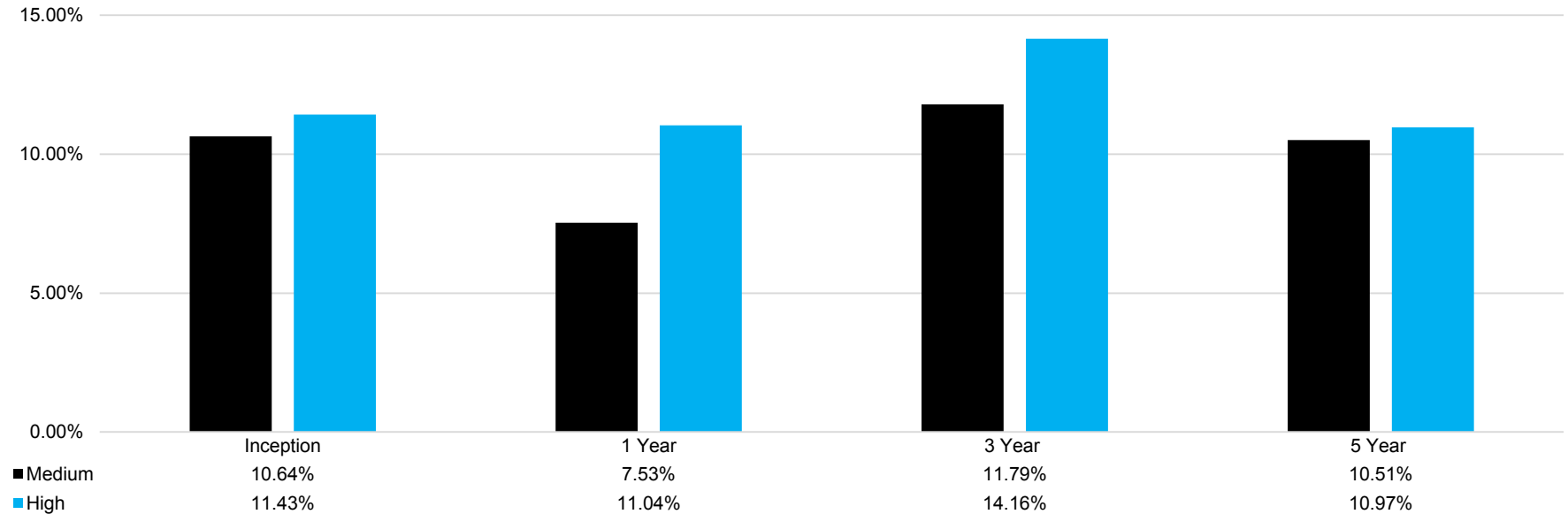


High Volatility

 A rated and above  Investment grade  High yield

INCOMEPLUSPORTFOLIOS

Average GBP performance



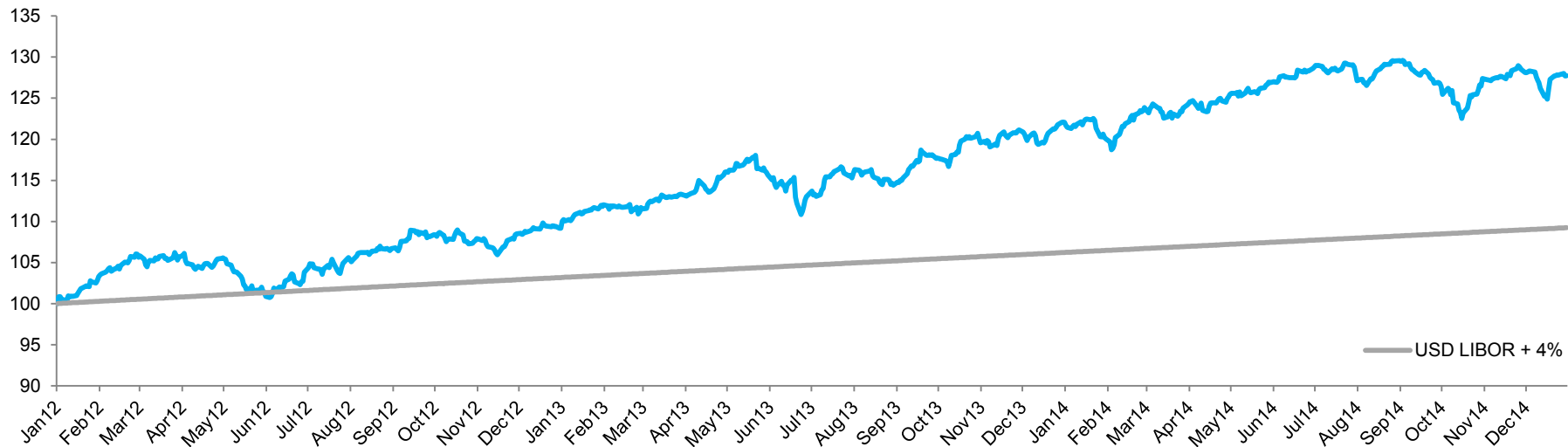


MULTI**ASSET**PORTFOLIOS

USD moderate



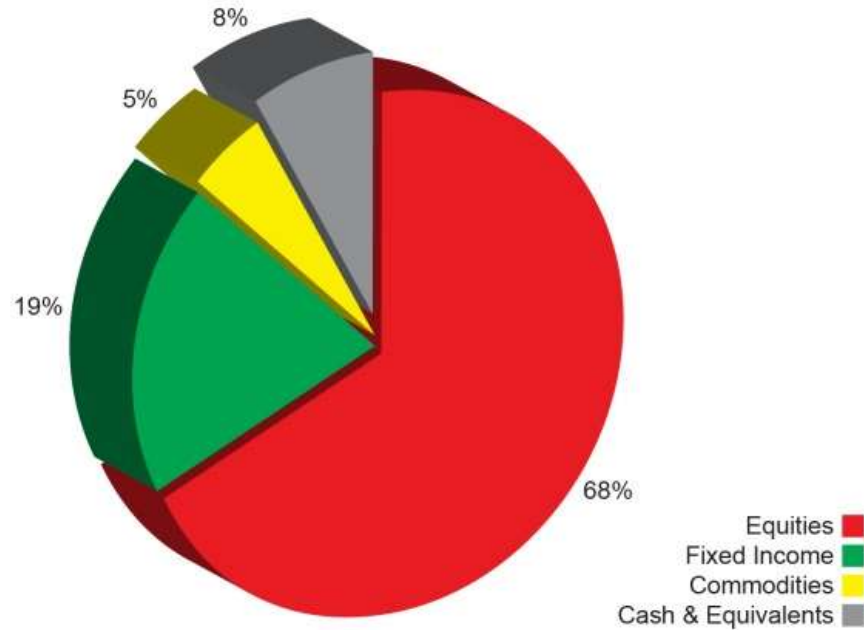
+27% vs. Benchmark +9% (01.01.2012 to 31.12.2014)



Source: Bloomberg, Credo Capital plc.

MULTI**ASSET**PORTFOLIOS

USD growth - asset allocation



Investment minimums - asset management



Portfolio Type

Minimum

Best Ideas Portfolio	£100,000 / \$150,000
Dividend Growth Portfolio	£100,000 / \$150,000
Special Opportunities Portfolio	£100,000 / \$150,000
Income Plus Portfolio	£100,000 / \$150,000
Multi Asset Portfolio	£100,000 / \$150,000

Investment minimums - trading services



Portfolio Type

Minimum

Execution Only

£50,000 / \$75,000

How to invest



- Directly with Credo
- Via your IFA who has a relationship with Credo
- Via Offshore Wrappers utilising the tax benefits they provide

Investing via offshore wrappers



momentum

glacier
by Sanlam

Heatmap

MyCredo (11.1.1) (Database)

Home Portfolio Modeling Trades Reports Research

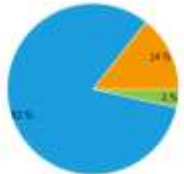
PortfolioList

Drag a column header and drop it here to group by that column

Portfolio	Name1	Name2	Relationship Manager	Account Manager	Trading Type	Reporting Currency	Alloc. Total Cash	Alloc. Total MV	Risk Rating
10001145	Name 1 - 3145	Name 2 - 3145	Jared Cahn	Jared Cahn	Discretionary	USD	437,237.43	2454,062.50	Adventurous
10003683	Name 1 - 3683	Name 2 - 3683	Stephen Davis	Stephen Davis	Discretionary	GBP	4962.56	6701,423.00	Cautious
10003692	Name 1 - 3692	Name 2 - 3692	St. John Agnew	St. John Agnew	Execution-only	GBP	43,568.37	4277,761.48	Adventurous
10003819	Name 1 - 3819	Name 2 - 3819	Stephen Davis	Stephen Davis	Discretionary	GBP	138,313.10	4318,188.62	Moderate
10008746	Name 1 - 8746	Name 2 - 8746	Gareth Crisland	Gareth Crisland	Discretionary	GBP	41,962.53	6228,682.72	Growth

Name 1 - 3692 - Reporting Cur: GBP

View Allocation by Asset Class



Portfolio/Model Heat Map

Heat map Clear view

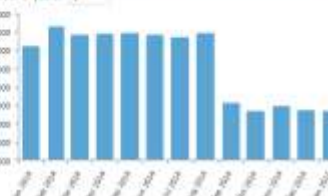
View heat map by: Asset Class

Drag a column header and drop it here to group by that column

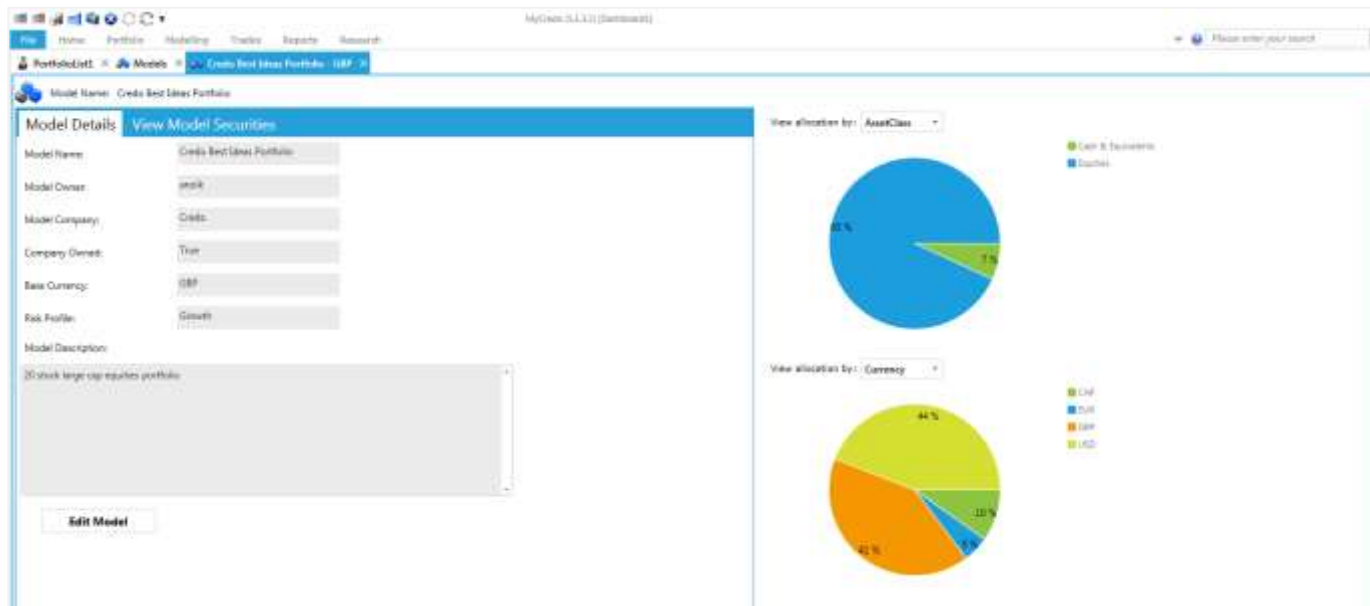
Portfolio	Name 1	Name 2	Model Name	Diff Status	Category	Diff Status	Diff Percentage
10003145	Name 1 - 3145	Name 2 - 3145	Conservative Equity	■			
10003683	Name 1 - 3683	Name 2 - 3683	Credit Best Ideas Portfolio	■			
10003692	Name 1 - 3692	Name 2 - 3692	RM Divers	■			
10003819	Name 1 - 3819	Name 2 - 3819	Demol	■			
10008746	Name 1 - 8746	Name 2 - 8746	Credit Best Ideas Portfolio	■			

Name 1 - 3692 - Reporting Cur: GBP

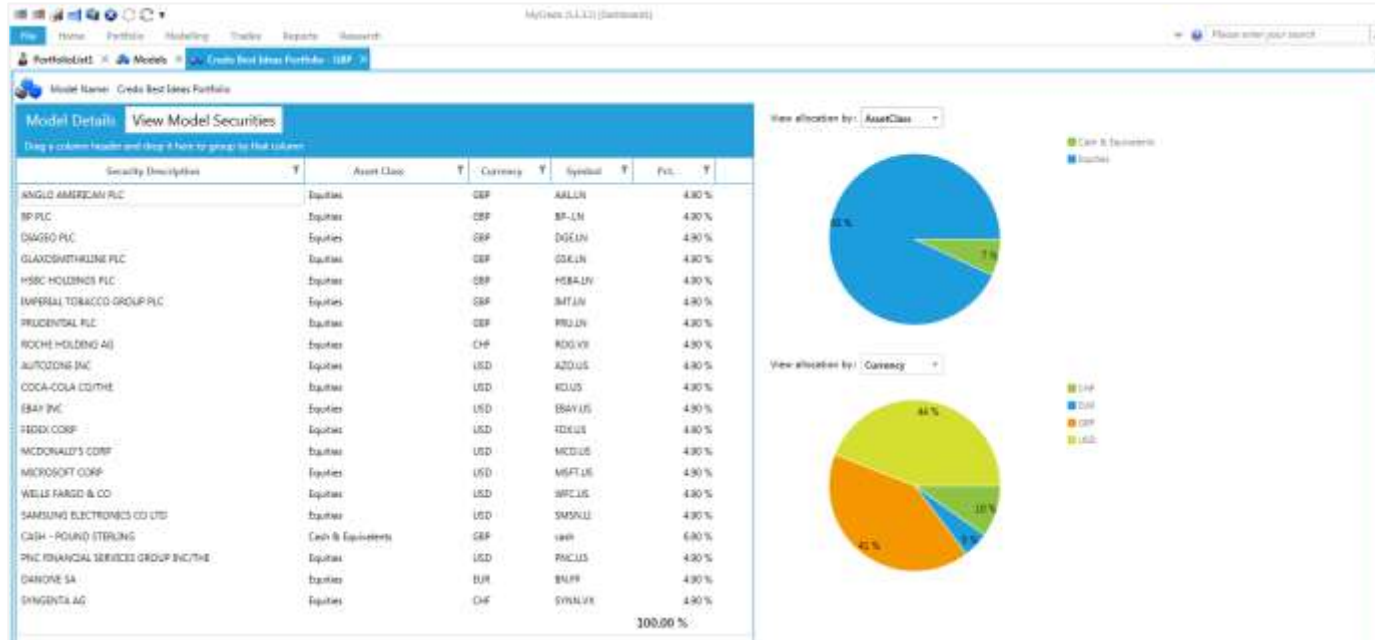
Number of years: 1



Portfolio Modelling



Portfolio Modelling



Why Credo?



- Outstanding client service
- Competitive, cost effective pricing structure
- Well established, with a solid track record
- MyCredo - state of the art online reporting
- Talk to people who know and understand where you are coming from
- On the ground in South Africa, with over 50 people in London



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