CREDO NEWS

Issue 17 | Summer 2014

A team of stars, or a star team?

Deon Gouws explores what makes a good wealth manager

Page 4

Football & Finance analogies

Why England fans are always disappointed

Page 10

Same roots, different routes

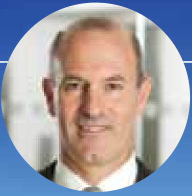
Page 8

The Credo Dream Team

Page 12

What is FATCA?

Page 16



A moment in time...

The two oldest teams in football are England and Scotland who first played each other on 30 November 1872 at West of Scotland Cricket Club's ground at Hamilton Crescent in Partick, Scotland. The match finished in a 0–0 draw and was watched by 4,000 spectators.

142 years later the biggest tournament in sport takes place in Brazil and it is estimated that the final match of the tournament will be watched by nearly 1 billion people (equating to no less than 1 out of every 7 people on the planet)!

Just as the performance of the football teams which face a showdown in the World Cup finals in São Paulo will be judged, so too are the financial and investment worlds at a crucial crossroads. There is important economic data indicating the presence of many new challenges that will need to be understood, confronted and dealt with. These include the implications of the easing of quantative easing "QE", increasing economic growth in many economies, a clear change in expectations that interest rates in the developed world will start to rise, sooner than previously anticipated and stringent new regulations as well the ever increasing burden of compliance.

These topics are touched upon in this, our World Cup newsletter, as several of my "team mates" have written some very interesting football themed pieces, briefly detailed below:

GOAL - *Page 4: Deon Gouws*, whose knowledge of football is as impressive as his knowledge of the investment world, sets out what we need to do to achieve our goal of being a good wealth manager who also wins the game.

FIELD - *Page 8: Joelle Anamootoo* carries out an economic analysis of the current downtrend in inflation in the West proving that the circumstances in the field are not the same as those that led to a long period of deflation in Japan.

SUPPORTERS - *Page 10: Ainsley To* warns clients not to be typical England supporters who expect miracles of their team.

TEAM - *Page 12: Alan Noik* introduces you to some staff who may not yet have made an appearance in this or previous newsletters, but who are part of Credo's DNA and make up the Credo Dream Team.

GOAL POSTS - *Page 16: Debra Chalmers* explains how FATCA effectively moves the goalposts as more countries sign up to co-operate in order to both prevent and detect tax evasion more effectively.

Sunday 13 July 2014 will be a moment in time when a billion people will all roar and cheer and sigh either in unison or in opposition. In life many of us are probably sharing that moment in time in so many ways but oblivious to the fact that we are all feeling the same emotions as we place our bets and hope that our team wins, whether it be the shares we pick to buy or sell or the decisions we make along the way. Perhaps the answer to what we really need in order to win in football and in life is best summed up by Diego Maradona's famous post match comment prompted by his infamous goal against England in the 1986 World Cup:

"A little bit of Maradona's head, a little bit of the hand of God."

Deon Gouws - *CIO* | @DeonGouws_Credo

What makes a good wealth manager?

Another Football World Cup is in full swing and a new champion will soon be crowned to reign over the sport for the next four years.

It is so simple to measure success in a sport such as football – even though pundits might not necessarily agree on who the best player in the world is at present. Is it Lionel Messi, with his agility, quick feet and control of the ball? Or is it Cristiano Ronaldo, thanks to his positioning, dribbling and finishing? And what about the pace and power of Zlatan Ibrahimovic (whose native Sweden did not even make it to this year's World Cup)?

The truth is that it does not matter who the best player is, or how one might decide the answer to that question… The real measure of success is ultimately linked to the results of the team.

Each competition has a clear winner and even though surprises do happen and favourites get knocked out from time to time, few people ever argue that the team that ends up winning did not deserve to do so, given the rigours of tournament football.

If only investments were that simple. What makes a good asset manager? How do we even measure it? Should one look at absolute performance (the feedstock of hedge fund managers around the world) or is it only relative performance that counts? If the latter, what is the relevant benchmark against which performance should be measured? Is an index appropriate, or should we consider peer groups as well… and how does a manager even try to outperform both at the same time? What is the most appropriate time period – is it 3 years? Or perhaps 5… or even more? Should we not adjust track records for inflation and/or costs (explicit and otherwise) and/or risk? Which leads one to ask: what is your definition of risk? And how dependable are performance numbers in the first place: have they been audited (or are they at least auditable) and can we be sure that they represent the experience of the typical client of the firm over any given period?

In practice, the answer to many of these questions is often moot. If you consider the promotional material from a selection of investment managers, chances are that you will be able to identify a number of selection biases in the form of specific fund choices being promoted, disclosed time periods,

benchmarks listed as relevant and/or client composites represented by the numbers. As the Romans might have said 2,000 years ago: caveat emptor… any prospective investor will do well to read the footnotes.

But let's just say that a client has in fact managed to identify a manager with truly superior performance (however much this might be qualified in terms of the various "health warnings", as listed above). What is even more perplexing in this instance, is the additional question: how much of this "superiority" can in fact be attributed to real skill and how much of it essentially boils down to dumb luck? Simplistic as this might sound to an industry outsider, the answer is far from easy. Few people might doubt someone like Warren Buffett's ability, given the Oracle of Omaha's track record over 50 years, but sceptics such as Nassim Taleb will point out that even a 10 year track record of relative outperformance might be achieved by a "lucky monkey".

Wealth managers form a subset of the investment industry and as such, any assessment of their relative "quality" will suffer from some of the main concerns as set out above. But wealth managers typically also get involved in other aspects on behalf of their clients, such as longer term financial and estate planning as well as possible tax advice. Against this background, how do you even begin to evaluate your wealth manager?

In response, I offer a few points in terms of which the quality of a wealth manager can be assessed.

A good wealth manager:

- will spend time to fully understand client needs (including the capacity for as well as the attitude towards risk) and put solutions in place accordingly;
- will help educate a client when this might prove necessary (including an honest assessment of likely portfolio returns as well as the management of client expectations);
- will manage client portfolios in terms of a sound philosophy, consistently applied and will communicate the portfolio activity and results on a regular, timely and transparent basis;
- will prioritise the service proposition and attend to all client requests (including ad hoc ones, where appropriate) without undue delay and on a cost efficient basis;
- will always put the client first and treat all different clients in a fair and consistent manner (thus avoiding any possible conflicts of interest); and
- will be prepared to walk away from business in instances where it's clear that a prospective client's disclosed "wants" are not deemed to be consistent with his or her actual "needs" (or alternatively when these "wants" are not considered to be realistically achievable, given the various constraints that might apply in the circumstances).

Let me stress that the points should not be seen as an abrogation of a wealth manager's responsibility to add demonstrable value to client portfolios over time as well (i.e. to achieve at least a satisfactory level of investment performance, however defined). I would argue that this is a necessary but not sufficient condition though: it only buys the wealth manager a "ticket to the game" – whereas the points as listed should enable good wealth managers to differentiate themselves in the longer term.

As is the case with football, the individual qualities of any given wealth manager ultimately matter much less than the results of the team – and in this case I would suggest that the team is defined holistically in terms of the needs and the prosperity of all of a firm's clients over time.

Said differently: it matters not whether you have Lionel Messi or Cristiano Ronaldo playing for you, but rather whether you have a team that will in fact be able to go the distance. And for this, you need not only quality players, but also single-minded focus, a decent game plan and lots of stamina… true in the case of wealth management, as much as it is in football.

A History Lesson

Arsenal fan, Deon Gouws looks back to nine years ago, when Arsenal and Liverpool won two of the most important trophies in a manner that defied all odds - making it one of English football fans' most memorable weeks in recent history.

FA Cup Final, 21 May 2005:
Arsenal beats Manchester United 5-4 in penalty shoot-out, after 0-0 draw.

European Cup Final, 25 May 2005:
Liverpool beats AC Milan 3-2 in penalty shoot-out, after 3-3 draw.

Numerous lessons for financial market participants are to be found in the 2005 FA Cup and European Cup finals, both of which ended in improbable penalty shoot-outs, with the spoils going to the eventual underdogs in each instance.

History Lesson number 1
The fact that something has never happened before, or that it hasn't happened for a very long time, does not mean that it won't happen next time when you choose to invest:
It was the way in which the victories of Arsenal and Liverpool were achieved that defied all statistical analysis. The FA Cup Final had not finished in a goalless draw in more than 90 years and neither had the home of the trophy ever been decided in a penalty shoot-out before.

History Lesson number 2
Sound fundamental analysis does not always guarantee investment success. In the 2005 FA Cup Final, Arsenal only attempted four shots at goal in 120 minutes (including extra time), compared to the 23 of Manchester United. More importantly, however, United had eight shots on target (they also hit the woodwork twice!); this, compared to one single attempt by Arsenal. Furthermore, United had no less than 12 corners, Arsenal again only one. And so one can go on: in nearly every important statistical category, the boys from north London were thoroughly outclassed and outplayed by their arch-rivals from Manchester on the day... except of course in the final score-line. Arsenal might never really have featured in the match, but they did manage to take home the trophy; the surprised look etched on the players' faces after winning on penalties was there for all to see after Patrick Vieira scored the final penalty. Statistics from the Arsenal-United encounter in 2005 beg the question: if you could rewind the clock to the period between the end of extra time and the start of the penalty shoot-out, which team really "deserved" to win the trophy on the day?

History Lesson number 3
Some market winners will often look like losers for a very long time; the market will often test your patience and conviction as an investor:
Focusing on the European Cup Final of that same year, less than a minute into the match, Milan's captain Paolo Maldini managed to find the back of Liverpool's net. Before the half-time whistle blew, the scoreline had increased to 3-0. At this point, a lot of people who had bet on Liverpool lifting the trophy would no doubt have been rather nervous…

History Lesson number 4
There is no such thing as a "sure thing" in the market. Turning to those punters who backed AC Milan during the game, losing bets amounting to nearly £250,000 were

matched on just one betting site (Betfair) at odds of 1 to 100 at half-time, i.e. people were risking £100 in order to win just £1 (or multiples thereof). In addition, a further £250,000 was also lost on Milan at odds of 1 to 50. In short, there were lots of people who were betting that Milan could not lose; this was a sure bet, if ever there was one, no?

History Lesson number 5

The most unlikely investment opportunities sometimes lead to the biggest gains: There were of course also a few brave punters who actually backed Liverpool at very long odds at half time and were rewarded for their brave call with fantastic gains after a very short time (a phenomenon that is often referred to as the "lottery ticket effect" in investments). If one equates betting on the outcome of a football match to investing in shares, the typical portfolio manager (who might be counting the opportunity cost of not investing in an equally profitable opportunity compared to some of the competition) might have rationalised his/her stock calls to clients by claiming than "no-one could have predicted such an outcome."

Perhaps the most important lesson of all, is that **many of those outcomes that appear the most unlikely, do in fact occur much more often than most of us would ever guess. This is true in sport, it is true in the stock market and it is true in life.**

It is in fact not possible for the human brain, even when armed with the most sophisticated quantitative techniques and computer processing capability, to estimate the true probability of a range of uncertain outcomes. It seems trite to say that there is never actually any certain answer before the event, but this is in fact the reason why financial markets exist in the first place. And this is also why none of us should ever put all our eggs into only one basket, or expect of any portfolio manager to consistently perform better than all others.

Jens Carsten Jackwerth and Mark Rubinstein, as quoted by Roger Lowenstein in "When Genius Failed" (an excellent book describing the failure of hedge fund firm Long-Term Capital Management in 1998) state that, based on historic volatility, the odds would still have been against the now-famous stock market crash of 1987, even if the market had been open every day since the creation of the Universe. "In fact, had the life of the Universe been repeated one billion times, such a crash would still have been theoretically 'unlikely'" (Lowenstein, 2001, p.72).

Yet, it happened. And, of course, many investors lost huge amounts of money in the process. What's more, chances are that, one day, something like that might happen again.

In the meantime, however, it is important to make hay while the sun shines. Which means that investors would be well-advised to follow a diversified strategy, to place their money with proven and trusted managers and to have realistic expectations.

You might not agree; you may in fact believe that lightning never strikes in the same place twice. In which case you should probably never bet on Liverpool again, either, after a decade or more in football's wilderness...

But, as some of my friends (seen in the Facebook photograph below) who have steadfastly refused to take off their red shirts since 1986, now insist, you will do so at your peril.

Liverpool supporters when Liverpool beat Everton to win the FA Cup, 19 years ago in 1986.

Joelle Anamootoo - *Investment Strategist*

Same roots, different routes

It is well known that Japan experienced deflation for most of the last twenty years. With the recent downtrend in inflation in the West, most notably in the Eurozone, parallels are being drawn between the current situation and the Japanese experience. Such comparisons should be treated with caution. The starting point is similar: like Japan, the US and parts of Europe have endured a banking crisis as a result of a multi-year real estate bubble characterised by over-indebtedness of the private sector and, by extension, the financial sector.

In the early 1990's Japan faced a collapse in real estate and stock prices. At that point, real estate was overvalued by more than 100% and the Nikkei was also substantially overvalued, trading on a price to earnings ratio of 55X. The corporate sector was highly leveraged and heavily invested in real estate. The latter was in turn used as collateral for further investment in real estate and the equity market. Real estate in Japan is now at similar levels to 1981 and the Nikkei (now at around 14 000) is well below its 1989-peak of close to 39 000. Needless to say, the sharp collapse in real estate and equity prices triggered the need for the private sector and the banks to clean up their balance sheets.

In our view, the more recent experience of the US and Europe is different:

1. No double-bubble:
In 2007, at the outset of the US sub-prime crisis, equities were not particularly overvalued. The wealth destruction has therefore been less severe than in Japan where the real estate bubble burst alongside the equity market bubble.

2. Real estate was a smaller proportion of wealth:
The scope of real estate over-valuation in the US and Europe was less extreme than in Japan. In Europe, the property bubble was concentrated in Ireland, Netherlands, the UK and Spain. Germany, the Eurozone's largest economy, did not experience a property bubble at all.

3. Less non-financial sector indebtedness:
In Japan non-financial sector debt peaked at 260% of GDP in 1990, while it reached 180% in Europe and 136% in the US. The drag on economic growth was therefore bound to be more severe in Japan.

4. Faster bank recapitalisation:
The US and the UK were at the forefront of the bank recapitalisation effort in 2008. In the Eurozone the process has been slower. Nevertheless, six years after the great financial crisis, Western banks are in much better health than their Japanese peers were at this point after the peak in the property market.

Europe is not playing on the same field as Japan did 20 years ago

5. More pro-active central banks: Central banks are currently operating with the benefit of hindsight. With the Japanese experience very vivid in most central bankers' memories, the decision to aggressively reduce interest rates (to almost zero in the US, the UK and the Eurozone) and to implement unorthodox expansionary measures of monetary policy has been quicker than was the case in Japan.

6. Faster to implement structural reforms: The Eurozone crisis has been a catalyst for many countries to implement structural reforms in the last few years, ranging from more flexible labour markets, smaller governments to privatisation programmes. In Japan very little has been done on this front.

This is not to say that the recent downward trend in inflation is of no concern. While US inflation seems to have bottomed at 1.2% in Q4 2013, it continues to trend lower in the Eurozone. The peripheral countries (Greece, Ireland, Italy, Portugal, Spain) are experiencing a near-zero or sub-zero inflation rate. The risk is that deflationary pressures spill over into the rest of the Eurozone and result in a deflationary spiral whereby falling prices depress demand growth thus exerting further downward pressure on prices. This would be a recipe for years of economic stagnation.

The current low inflation can be explained, in our view, by the recent euro appreciation, which we see as transitory. At the most recent governing council meeting in June, the ECB announced a series of easing measures including a rate cut and also signalled the potential for asset purchases.

Furthermore, the Eurozone periphery's rapid decline in wage growth represents a faster adjustment than Japan experienced in the 1990's. In Japan deflation only began about seven years after property prices peaked in 1989 and wages grew by 20% in the interim. Recent data suggests that economic momentum is picking up across the periphery. This, combined with Germany's strong economic fundamentals, would suggest that Europe is less likely to suffer the same fate as Japan.

In fact, the West may be gearing itself up for an inflation problem going forward. With such a vast amount of resources being thrown at the deflation problem, we cannot rule out the possibility of a rapid rise in prices at some stage. This is an eventuality for which the market is not prepared. In the words of Henry Kissinger: "Each success only buys an admission ticket to a more difficult problem".

Ainsley To - *Research Analyst* | @AinsleyTo_Credo

Cocktail party risk

... and why England fans are always disappointed

Upon his exit there have been mixed reviews about his time at the helm. Some say he was never good enough for the job in the first place, others say he deserved more time, some believe he was hampered by the shadow of his legendary predecessors, others speculate that things would have gone much better if he had spent more and bought more last summer. But for both David Moyes and Ben Bernanke, perhaps it is against their successors that their performance will be judged.

In the spirit of the upcoming World Cup I've jumped on the bandwagon of listing some Football & Finance analogies. Enjoy.

Rise of the Planet of the Quacks

Human beings crave certainty and our anxieties vanish in the presence of someone talking with certainty. Cue the rise of the professional financial and football pundits. There are many types of pundit. Some who are quite obviously of little use to anyone, with insights such as "I think they'll plan to attack and score goals", the football equivalent of "We aim to buy low and sell high" (as if everyone else is aiming to buy stocks that they think will go down!) Others who draw gravitas to their convictions from their past status playing the game "Brazil won't even get past the group stages" Pelé said in 2002, the year they won their 5th World Cup. And finally the football "quants" who arm themselves with a plethora of anecdotal and heavily data mined statistics to back up their table banging. At the end of the Barclays Premier League season, a frequently quoted statistic was that champions Manchester City came back to win after only spending 15 days at the top of the league. Does this stat tell us that they staged an epic comeback or is it irrelevant given they went almost the whole season with 2 games in hand? Whatever the type of pundit, you'll find what they say often tells you more about the pundit than anything useful about the future.

A persistent marketing tool for the financial media has been the "investment themes". These make great headlines and are backed up with extravagant anecdotes about a macroeconomic trend. Of course if the "Shale Gas Revolution" or the "Rising Emerging Middle Class Consumer" has already hit the headlines, then it's pretty likely the bandwagon is already quite full. These story stocks quite often leave your portfolio overflowing with cocktail party risk. Sexy stories are more fun to talk about than valuation metrics.

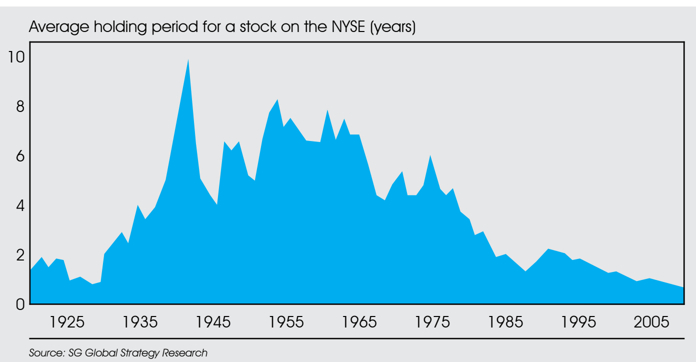
But ultimately football pundits do little harm compared to my all-time favourite pundit, the sell side analyst. There is an obsession with whether a company's earnings will beat, meet or miss expectations. Only in finance do "earnings miss estimates"- when the weather forecast is wrong, we blame the weatherman not the weather. Finance is the only industry where people blame their poor forecasting skills on reality. Asking the sell side whether a stock looks cheap is like asking Luis Suarez if he thinks it was a penalty. The financial world is consistently too optimistic on everything about the sell side, from the independence of their views, to the precision of their forecasts.

Optimism breeds disappointment

Just as 90% of people think they are of above average intelligence, everyone thinks they can outperform the market.
Of the 19 World Cups since 1950, England qualified for the finals 16 times and only won once. They have gone to the quarter finals or better 8 times, half of the occasions they were present. Yet every World Cup is painted as a disappointment when they don't come home with the trophy. Managers have been sacked for only reaching quarter finals, which is better than average performance based on history.

The average stock picker also thinks he is better than the market. But in aggregate, they are the market and by definition the average active manager has the performance of the index minus the fee he charges. Every active manager starts up looking to outperform the market, but the nature of capitalism is that for every winner there is a loser and 80% of active managers fail to outperform the benchmark over the long term. Unfortunately as any members of underfunded defined benefit pension schemes with 8% return assumptions are finding out now, everyone can't outperform the market and aggressive expectations inevitably lead to broken promises.

The Age of Short Termism



The average holding period for a stock on the NYSE currently sits at around 6 months vs a long term average of about 5 years. Investing under this time horizon shows quite clearly that whether its through High Frequency trading strategies or betting on earnings releases next quarter, the market in aggregate cares more about quick short term profit than investing for long term value. The roaring twenties in the US showed similar short term speculative sentiment and we all know how that turned out.

You can see the same short termism in most of modern football. Players' agents play the stockbrokers' role in "churning" transfer fees and the media feed the rumour mill to unsettle players and managers - a new manager brings a new wave of player turnover and more commissions to agents. Two consecutive losses and a manager's job is already in jeopardy. One has to wonder where Manchester United would be today if they had yielded to the media pressure to sack the young Alex Ferguson in 1993 after 6 years without a trophy. The rest, as they say, is history.

For the global economy, the most painful form of short termism has manifested itself in corporations' boards and management. Short termism of owners is pushing management to be solely focused on next quarter's earnings or tomorrow's share price, as opposed to creating long term value in the company. From 2001-2010, the S&P500 spent 54% of combined net income ($2.6 trillion) on share buy-backs to boost stock-based compensation and 40% ($1.9 trillion) went on dividends. Dividends compensate investors for holding the stock, buy-backs pay them for selling it, but neither have any positive impact on future innovation and productivity growth. This heavy lifting has been left to the pathetic 6% residual that went into investment.

What can football teach us about investing?

Know your strengths and your limits - not every team can play like Barcelona. If you don't have a strong edge then focus on getting the basics right, low cost and diversification. Put some resources into planning for what could happen, but don't spend all your time trying to forecast what will happen.

Avoid cocktail party risk - the media is there for your entertainment. Avoid trusting your own or your client's savings to pundits. The majority are often televised for their witty commentary as opposed to their forecasting track record (or neither in the case of Alan Hansen). Great stories have a habit of being overly consensual, which by definition leads to overcrowded and overvalued trades.

Embrace uncertainty - use conservative assumptions and low confidence intervals in everything you do. In such a leveraged financial system, fat tails are more prevalent than ever. If you risk everything to make a killing, you'll probably just get killed. Just ask the bookies providing 6560-1 on Atletico Madrid to do the La Liga and Champions League double at the beginning of the season - they were within 60 seconds of paying out.

Think long term - investing is a league not a cup. Nobody wins every game. Have an approach that is most likely to get you the most points over the course of the season and stick to it. Worry less about the most recent result.

Alan Noik - *MD* | @AlanNoik_Credo

The Credo Dream Team

The editor of CredoNews gave me the difficult task of selecting the Credo Dream Team. From a pool of over 50 highly competent staff, this was hardly a tap in goal. I believe that to have a team that will continue to perform at the top of its game one needs a squad from which to pick the best talent depending on the circumstances. Any squad needs a mix of youth, experience, flair and plain old fashioned reliability including an array of "off field" experts. I am sure England's international coach, Roy Hodgson would have loved to have so many great players in peak fitness from which to choose a Dream Team.

Debbie South - *Right Back*

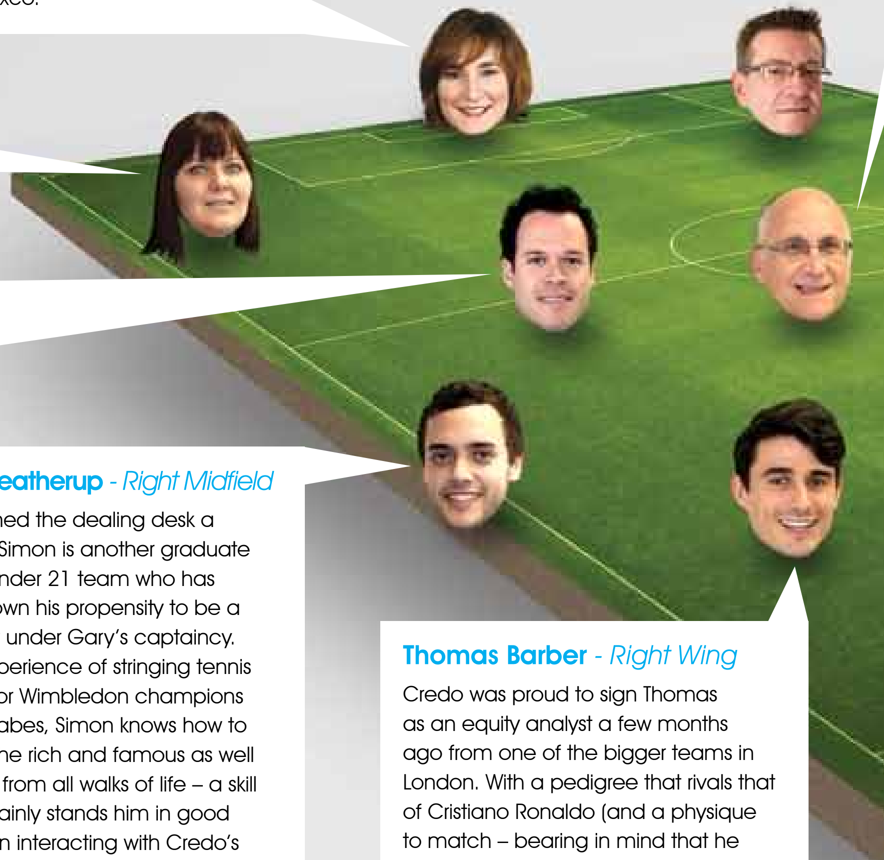
Recently appointed as Head of Client Services, Debbie manages a highly capable team. As our clients will testify, Credo prides itself on client service which is second to none and it's this team that does a large amount of the leg work. Her team comprising Narindah Colduck, Joanne Campbell, Ian Bredahl, Andrea Graham, Jennay Sales and Lorenna Williams work tirelessly to ensure our clients are well looked after.

Debra Chalmers - *Goalkeeper*

Although Debra does not quite have Joe Hart's height advantage, as Head of Legal and Compliance, you could not find a safer pair of hands. In a world where regulations govern our every move, Debra ensures that Credo's defensive line is organized every bit as well as that of Holland. Like any top goalkeeper with good ball distribution skills, she also plays a most strategic role within the team as a member of the firm's Exco.

Guy Keevil - *Left Back*

Guy, who heads up Back Office and Settlements, (including talented footballers: Lisa Maguire, Chris Wilkey, Lucy Griffiths and newcomer Thomas Waddington), joined Credo over 10 years ago and ensures that all our trades and transactions are settled on time. His knowledge of the custodial environment ensures that hardly anything gets through to even threaten the goal.



Alex Gubbins - *Central Defender*

To Ivan's right in the back four is Alex. As solicitor and legal counsel, he is one of the newer signings in the team. With the can-do attitude of a Wayne Rooney, Alex has settled down quickly and you will hardly ever see him slipping a back pass to the goalkeeper (always preferring to take responsibility to resolve matters rather than referring it to someone else).

Simon Weatherup - *Right Midfield*

Having joined the dealing desk a year ago, Simon is another graduate from the Under 21 team who has quickly shown his propensity to be a star dealer under Gary's captaincy. With his experience of stringing tennis racquets for Wimbledon champions and wannabes, Simon knows how to deal with the rich and famous as well as people from all walks of life – a skill which certainly stands him in good stead when interacting with Credo's ever-growing client base.

Thomas Barber - *Right Wing*

Credo was proud to sign Thomas as an equity analyst a few months ago from one of the bigger teams in London. With a pedigree that rivals that of Cristiano Ronaldo (and a physique to match – bearing in mind that he narrowly missed out on qualifying for the British Olympic team a couple of years ago), he essentially picks himself for the firm's Dream Team.

Ivan Averbuch - *Central Defender*

Not to be confused with Serbian captain and kingpin defender Ivanović (and ever so slightly smaller in stature), Ivan fulfils the unenviable task as the Compliance Officer. Young for his age and fitter than most, Ivan uses his vast experience in true Ryan Giggs fashion in order to get the various parts of the team to work together, turning defense into attack in the process. He is assisted by Barbara Frank, another dedicated, experienced team member.

Nelius Kriel - *Left Midfield*

If ever there was someone who disproved the theory that nice guys always come second, Nelius would be that person. Arguably the friendliest member of the team, Nelius has yet to pick up a yellow card in more than 14 years playing for Credo (a reputation rivalled only by that of Gary Lineker, English football's "Mr Squeaky Clean"). A multi-talented sportsman with a golf handicap of 2, his ability to manage client relationships and deal for clients makes Nelius a key player in our Dream Team.

Gary Harvey - *Central Midfield*

As nimble as French international Franck Ribéry (but arguably even better looking), Gary is Dealing Manager at Credo. With over 4,000 client trades a month, Gary's hands are full in ensuring that each and every deal is placed correctly in the global market. Having joined the team in 2000 as an U21 player, he is now a seasoned member of the team and is training up Ben Bosnino a talented U21 player to assist him with the increasing number of trades.

Jason Spilkin - *Centre Forward*

Jason only joined the Credo team 18 months ago, but he quickly established himself as the firm's key striker, specifically as far as the directly managed equity portfolios are concerned. A relatively quiet but most determined player in the mould of Manchester City superstar Edin Džeko, Jason gets on with his job without too much fanfare but his goalscoring ability is second to none. We look forward to many more points on the board from him.

Lucas de Almeida - *Left Wing*

Every team needs a playmaker, a left-brained individual who is able to make something out of nothing and who can create goal-scoring opportunities in the process. At Credo, our Brazilian signing, Lucas has been the creative genius for the past seven years, responsible for all the firm's publications (including the one you're holding in your hand) as well as our website, presentations and other corporate communication.

Kim Simon - *Transfers*

Kim has been wooed away from the Dream Team by South Africa and will be missed next season by many fans. She has passed the ball to relationship managers Gareth Crosland & Richard des Ligneris who will have a tough job doing the job with Kim's style.

Phil Lawrence - *Coach*

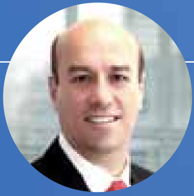
Moyes may have had an easier job relative to the expectations of Phil who successfully took over from Zack Shone, the original brains behind MyCredo. Zack however, remains an integral part of the IT department consulting on a regular basis with Phil and his team of talented trainers; Stephen Donnelly, David Lindeque, Ross McKinlay, Yaakov Nadler, Benny Emanuel, Jonathan Hancock and Emerson de Mello.

Greg Roediger - *Statistician*

Credo's long standing Finance Director and "go to" man is a formidable force in the team, being ably assisted by group accountant Alan Milstein and Daniel Pauwen and the talented Brazilians Niege Ferreira and Luana Infante, ensuring all the numbers add up and that no own goals are scored.

Roy Ettlinger - *Manager*

With a track record comparable to that of Alex Ferguson and Arsène Wenger, Roy has led the Credo Team for over a decade which has been both testing and turbulent. This period has included the biggest financial crisis in living memory and we can all take pride in the fact that the Credo team managed to come through this even stronger than before and continues to grow its service offering and market share.



Charles van der Merwe - *MD, Wealth Outsourcing Solutions*

Credo enhances MYCREDO with Portfolio Modelling software and improved Research

Credo has made several enhancements to its platform that is used by its 25 Financial Intermediaries clients, including wealth managers, family offices, financial advisory firms and trust companies. The enhancements include portfolio modelling functionality and improved research capability.

The portfolio modelling functionality, which is seamlessly integrated into MyCredo, includes:

- Creation of multi-asset, multi-currency models;
- Rebalancing of individual portfolios or groups of portfolios against a model;
- Automatic generation of rebalancing trades; and
- Heat map for instant comparison of portfolio status versus model allocations.

Our clients have requested that we automate administrative and routine tasks such as portfolio monitoring, the managing of restrictions and rebalancing. This portfolio modelling functionality, which is seamlessly integrated with downstream systems, delivers more scale and improved efficiencies for our clients.

Additionally, Credo has expanded the Morningstar powered equity research solution currently available for 13 markets, to include additional asset classes. Future coverage of additional asset classes will include funds (UK, Irish and Luxembourg registered), exchange traded funds (London and South Africa listed) and London Stock Exchange listed investment trusts.

Clients can expect that these enhancements will be made available within MyCredo in the third quarter of 2014.

MORNINGSTAR®

Debra Chalmers - *Legal and Compliance Director*

What is FATCA?

Foreign Account Tax Compliance Act

Disregarding the irony noted by Laurence J. Peter, that "America is a land of taxation that was founded to avoid taxation", FATCA was enacted in the United States of America in 2010. This legislation provides the tools necessary to enable the US Treasury to prevent US persons from evading US tax by hiding behind foreign accounts or through ownership of foreign entities. It requires US persons (including individuals who live outside the USA) who hold financial assets outside the USA, to report those assets to the Inland Revenue Service. In addition, FATCA requires foreign financial institutions to report certain information about their US clients to the IRS.

Legislation giving effect to FATCA has been enacted in the UK and with effect from 1 July 2014 we will have to report certain information to HMRC in respect of any of our clients who are "US persons" for the purposes of FACTA. HMRC will in turn, report to the IRS.

We are required to check the information we have for our existing clients to help us establish whether a client has ties to the US and could be taxable there. We will look for "US indicia" such as whether the client has a Green Card or a residential address in the US, i.e. anything that suggests a link between that client and the US. If we find US indicia, we will ask the relevant client to provide further documentation to prove that the client is not liable for tax in the US. Where the client isn't able to do so, we will be required to provide HMRC with the financial details of their account.

For all new clients, we are required to ask certain questions to ascertain whether that client is a US person for tax purposes or not. For individuals, these will include where they are resident for tax purposes and also whether they have any US indicia. For entities other than natural persons, we will require a FATCA self-certification to ascertain their status.

We anticipate that FATCA will have a minimal impact on our clients, but should you think that it may affect you, please discuss your situation with your Relationship Manager. Otherwise, if you don't hear from us, you can assume that you are not required to take any action as far as FATCA and your relationship with Credo is concerned.

Even though the US Government's success in extraterritorially imposing domestic US law on virtually the entire world, is jurisprudentially offensive to any lawyer educated in a classical tradition, many other governments have indicated that they too will jump on the band wagon and will enact similar legislation aimed at detecting tax evasion globally. When this happens, it will impose disclosure requirements on us in relation to clients in other jurisdictions as well. Watch this space!

Debbie South - *Head of Private Client Services*

NISAs and Junior ISAs

Increased allowances

In the last UK budget the chancellor announced some significant changes to the existing ISA regulations, with the express intention of creating an even more tax efficient, simple and flexible savings vehicle for all UK resident investors. The changes are effective from 1 July 2014 and the major changes are summarised below.

NISA

All existing ISAs will automatically become NISAs, subject to the new rules and your accounts will have greater flexibility, as: there has been an increase in the annual subscription limit to £15,000; and NISA savings can be held in Cash or Stocks and Shares in any combination that the investor wishes. However, an investor will only be able to pay into a maximum of one Cash NISA and one Stocks and Shares NISA each year.

Investors will be able to top up the current year subscription to the new overall subscription limit of £15,000 and may continue to hold a Cash NISA and a Stocks and Shares NISA with two different providers.

Junior ISAs

We are pleased to announce that Pershings is able to provide Junior ISAs and hence Credo Capital is now able to administer these for clients.

The amount that can be paid into a Junior ISA for 2014-15 will be increased from £3,840 to £4,000 from 1 July 2014.

If you have any questions or wish to establish either a NISA or Junior ISA, or wish to take advantage of the increased allowances, please contact your Relationship Manager or email us on clientservices@credogroup.com.

Sara Ettlinger - *Communications Officer*

When the tough get going…
As told by Richard des Ligneris

We completed the race as a team, but there were no podium finishes.

Simon and I were terrified of the Tough Mudder (we being the newbees and Gary, the experienced Mudder).

Ideal English rainy weather makes the race harder but this just fuelled our adrenalin.

After a quick warm-up, with everyone spurring each other on, we set off. We knew the course ahead would take several hours to complete with lots of obstacles. Twenty minutes into the race we were throwing ourselves into the ice bath - a dark, freezing cold steel tank. And, no, it wasn't pleasant. The feared ice pit was earlier than expected but there was a feeling that the worst was now behind us. We were wrong.

The course got muddier and muddier. The hills got steeper and steeper. And the obstacles more and more difficult.

There was the occasional tunnel to crawl through. Easy enough. And I got lucky on the piggy back ride when I didn't have to do any heavy lifting (thanks Gary). But I lost count of the number of times I ended up in the (cold) water and had to clamber over a vertigo-inducing wooden fence. That said, there is great camaraderie along the route. And it was fantastic to see as many women taking part as men.

And as the cold air bit and the rain came down harder than at any point during the morning, we shrugged it off. You get to the point where the cold - the tips of my fingers went white at one point - and wet don't matter and it's just about finishing.

However, we neared the end not exhausted but exhilarated. And that we did, with big smiles on our faces.

Gary Harvey (Dealing Manager); Richard des Ligneris (Junior Relationship Manager) and Simon Weatherup (Junior Dealer). All experienced in risk!

Tough Mudder facts:

- *April- London West event- Fawley, Henley on Thames.*
- *12 miles and 20 obstacles in total.*
- *Requirement to sign death waiver before the race.*
- *1 obstacle was closed as someone was lying at the bottom with a broken leg.*
- *Everyone received a hard earned pint of beer at the finish line.*

Jarrod Cahn - *Senior Portfolio Manager*

Welcome Joelle

Joelle Anamootoo joined our investment team in March this year. Joelle spent the last seven years at Bank of America Merrill Lynch and Deutsche Bank where she was a senior Equity Strategist, advising large institutional clients globally. She started her investment research career as a Quantitative Equity Strategist at JP Morgan in 2001. Joelle holds an MPhil in Economics from Oxford University and is also a CFA charterholder.

Joelle spent her entire childhood in Mauritius and has been in the UK since her university days. A native French speaker, she is also a public speaker and an avid supporter of the charity Farm Africa. In her free time she enjoys the theatre and 19th century works of art.

Excel Sport Sunday League

Under 11 boys from the Excel Sunday league wearing their team kit.

Credo has enjoyed a long standing relationship with Excel Sport and the Excel Sport Sunday League.

We are proud to announce that we have agreed to renew our sponsorship of the Excel Sport Sunday League (Under 7/8/9) and to extend our sponsorship to the Under 10/11 and Under 13 leagues.

The Excel Sport Sunday League provides a great introduction to the world of Team Play Football. Excel provides players of mixed ability with the opportunity to enjoy and participate in a competitive environment, while still being nurtured and coached under the supervision of trained coaching staff and referees.

The league has grown considerably over the last few years and now approximately 700 kids meet on a Sunday afternoon, to play competitive league games at either Borehamwood FC (Under 7/8/9) on an all-weather 3G playing surface, or Parmiter's School (Under 10-13's) on a combination of grass and all-weather astro.

We wish the kids and the club an enjoyable and successful 2014-2015 season.

credogroup.com

CREDO
WEALTH

Important Notice: This newsletter has been approved for the purposes of s 21 of the Financial Services and Markets Act 2000 by Credo Capital plc (reg. no. 3681529, registered office at 8-12 York Gate, NW1 4QG), which is part of the Credo Group ("Credo"). Credo Capital plc is authorised and regulated by the Financial Conduct Authority in the United Kingdom and is a member of the London Stock Exchange. The content of this newsletter does not constitute an offer, solicitation to invest nor does it constitute advice or a personal recommendation. The different investments referred to herein have their own specific risks and recipients must consider their own attitude to risk, financial circumstances and financial objectives before deciding whether any particular investment is suitable for them and should seek advice from their financial adviser before investing. Recipients should be aware that past performance is no guide to future performance. Investments may go up or down in value, returns are not guaranteed and original amounts invested may not be returned. The value of any investment may fluctuate due to changes in tax rates and/or the rates of exchange if different to the currency in which you measure your wealth. Credo Capital plc, its associated companies and/or any of their employees may have positions in the investments referred to in this newsletter and may have provided advice or other services in relation to such investments. Credo has used all reasonable efforts to ensure the accuracy of the information provided, but makes no representation or warranty, express or implied, as to the accuracy or completeness thereof, or of opinions or forecasts contained herein and expressly disclaims any liability relating to, or resulting from, the use hereof. This applies in particular to any taxation consequences you may suffer as a result of any investment opportunity referred to herein, or as a result of any future projections, estimates or statements about future prospects of any investment opportunity described herein. A non-UK resident making an investment must comply with any foreign regulation/legislation relating to the investment and must warrant that he/she will not breach the local securities or financial services laws or other regulations in such foreign jurisdiction. No part of the information may be copied, photocopied or distributed without Credo Capital plc's prior written consent.

London
8-12 York Gate
NW1 4QG
London
United Kingdom
T. +44 (0)20 7968 8300

Geneva
(Trust & Fiduciary Services)
116 rue du Rhône
1204, Geneva
Switzerland
T. +41 (0)22 718 7200

Cape Town
De Waterkant Centre, Unit 304
9 Somerset Road, 8005
Cape Town
South Africa
T. +27 (0)21 418 1006

Johannesburg
Wierda Mews, Block B
41 Wierda Road West, 2196
Johannesburg
South Africa
T. +27 (0)11 883 3222

Bermuda
Century House,
16 Par-la-Ville Road
P.O. Box HM 1806
Hamilton, HM HX, Bermuda
T. +1 441 292 7478

BVI
Geneva Place,
333, Waterfront Drive
Road Town, Tortola
British Virgin Islands
T. +1 (0)284 494 4388