

## Strategy & Objective

The Best Ideas Portfolio is a diversified portfolio (not a fund) of global equities, which we believe to be well positioned to outperform the wider equity market over the longer term. The portfolio has a bias towards developed market, large capitalisation stocks.

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

Long Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>Since Inception</b>	73.5%	56.4%	17.1%
<b>5 Year</b>	69.8%	55.3%	14.5%
<b>3 Year</b>	32.9%	26.1%	6.8%
<b>1 Year</b>	4.0%	1.0%	3.0%

Short Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>YTD</b>	8.6%	3.3%	5.3%
<b>3 Months</b>	7.2%	4.6%	2.6%
<b>1 Month</b>	2.5%	1.3%	1.2%

## Market Commentary

In the US, hawkish comments by several Federal Reserve officials roused speculation over the possibility of a June interest rate hike, sooner than previously expected. Meanwhile, despite turbulence, the S&P 500 ended the month up 1.8%. Following a 6 month rally, Brent Crude hit new highs, almost piercing the \$50 mark. In the UK, sterling rallied while the latest slew of polls indicated faltering support for the Leave campaign. The MSCI UK Index rose 0.2%. Amid concerns over the Eurozone's future, the European Commission opted to postpone a decision on disciplinary action against Spain and Portugal for breaking budget rules while the IMF reiterated that it would not participate in the latest Greek bailout without extensive debt relief. The STOXX 600 ended the month up 2.7%. In Brazil, enthusiasm following the impeachment of Dilma Rousseff was soon replaced with concerns over the poor state of the economy.

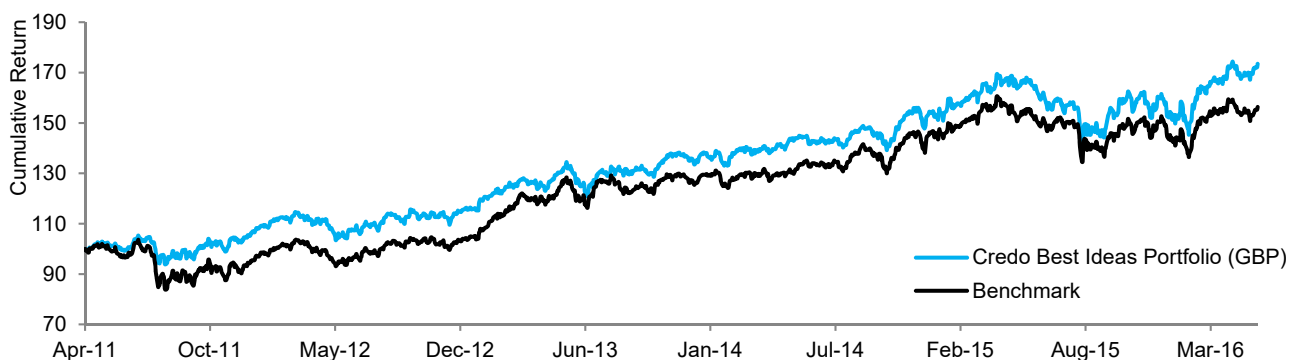
### Key Contributors to Return

Having rejected Bayer's initial \$62 billion bid but remained open to discussions, Monsanto rose over the month as investor's waited expectantly for an improved proposal. Sources suggest Bayer may return with a \$130 per share bid, valuing Monsanto at approximately \$66 billion. The stock rose 20.1% over the month. Chubb rose 7.4% as initial signs suggest the recent merger has been successful. Chubb's earned premiums rose 68% in 1Q, exceeding expectations. The company also increased estimated merger-related savings to a \$750 million annual run-rate by 2018. Nevertheless, rate pressures continue to erode Chubb's written premiums.

### Key Detractors from Return

Rolls-Royce has continued to struggle, particularly in its core wide-body civil-aviation engine business. Rising market share for new engines contributes little to earnings, while profitable servicing revenue takes almost half a decade to develop. Meanwhile, the Marine business has been hurt by lower energy prices. The stock fell -7.5%. Having spurned Honeywell's \$90 billion takeover offer, United Technologies reaffirmed that it doesn't need acquisitions to grow. Nevertheless, near-term challenges, such as slowing demand for elevators and engines from China, have hurt margins. The company reaffirmed long-term annual revenue growth of 5-8%. The company fell -3.0%.

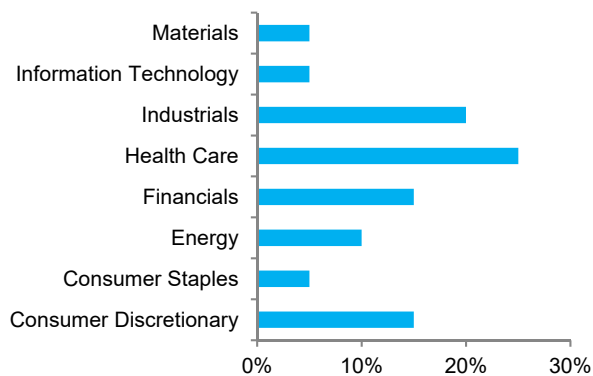
## Performance Since Inception (14/04/2011)<sup>2</sup>



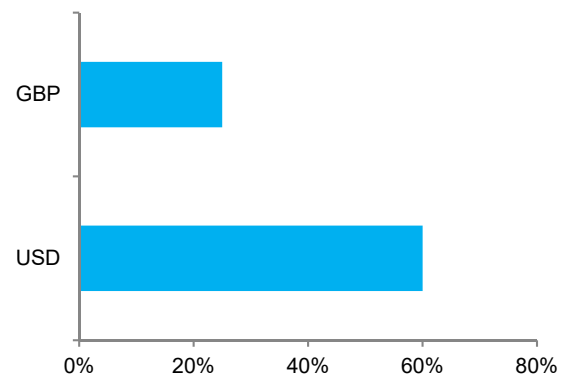
## Sample Portfolio Statistics<sup>2</sup>

	Current Price	Trailing 12 Month P/E	12 Month Forward P/E	Dividend Yield
BP	357p	136.5x	28.6x	7.7%
Union Pacific	\$84.2	16.1x	16.3x	2.6%
Microsoft	\$53.0	23.2x	19.9x	2.7%
<b>Total Portfolio Average</b>		<b>17.8x</b>	<b>17.0x</b>	<b>2.4%</b>
<b>MSCI World</b>		<b>21.0x</b>	<b>17.0x</b>	<b>2.7%</b>

## Sector Allocation



## Currency Allocation



## Investment Philosophy

Credo's investment philosophy is based on the following tenets:

- Wealth is preserved and created by following a long-term, low-turnover strategy.
- We believe in a value-based approach to investing, given that the price which is paid when investing is one of the very few things in financial markets that investors can actually control.
- We do not define risk in terms of quantitative metrics, but simply as the potential to lose clients' money; accordingly, our approach to investing can be described as a relatively conservative one, focusing first and foremost on capital preservation.
- Yield is an important consideration across all asset classes.
- Transaction costs have the potential to erode investment returns quickly; based on this, we not only follow a low-turnover approach, but we also apply our minds when considering transaction size.
- We aim to identify matters of strategic importance when considering investments, rather than focusing on daily news-flow in financial markets.

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(1) Performance figures are based on a notional portfolio, denominated in pound sterling, designed to track the holdings of the Credo Best Ideas Portfolio. Portfolio incorporates all additions and removals. Portfolio may not be fully invested at a point in time and therefore can hold a portion of assets in cash. Performance is calculated before any fees (which can vary depending on the level of service) but includes gross dividends, reinvested. Following additions or removals, each holding is rebalanced to a 5% weighting.

(2) Source: Bloomberg pricing as of 31/05/2016 close. All portfolio performance is calculated using Bloomberg PORT, rounded to 1 decimal place.

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

Long Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>Since Inception</b>	54.8%	39.5%	15.3%
<b>5 Year</b>	50.0%	37.2%	12.8%
<b>3 Year</b>	27.2%	20.7%	6.5%
<b>1 Year</b>	-1.2%	-4.0%	2.8%

Short Term Returns	Best Ideas Portfolio	MSCI World	Relative Return
<b>YTD</b>	7.0%	1.8%	5.2%
<b>3 Months</b>	11.8%	9.1%	2.7%
<b>1 Month</b>	1.8%	0.6%	1.2%

## Market Commentary

In the US, hawkish comments by several Federal Reserve officials roused speculation over the possibility of a June interest rate hike, sooner than previously expected. Meanwhile, despite turbulence, the S&P 500 ended the month up 1.8%. Following a 6 month rally, Brent Crude hit new highs, almost piercing the \$50 mark. In the UK, sterling rallied while the latest slew of polls indicated faltering support for the Leave campaign. The MSCI UK Index rose 0.2%. Amid concerns over the Eurozone's future, the European Commission opted to postpone a decision on disciplinary action against Spain and Portugal for breaking budget rules while the IMF reiterated that it would not participate in the latest Greek bailout without extensive debt relief. The STOXX 600 ended the month up 2.7%. In Brazil, enthusiasm following the impeachment of Dilma Rousseff was soon replaced with concerns over the poor state of the economy.

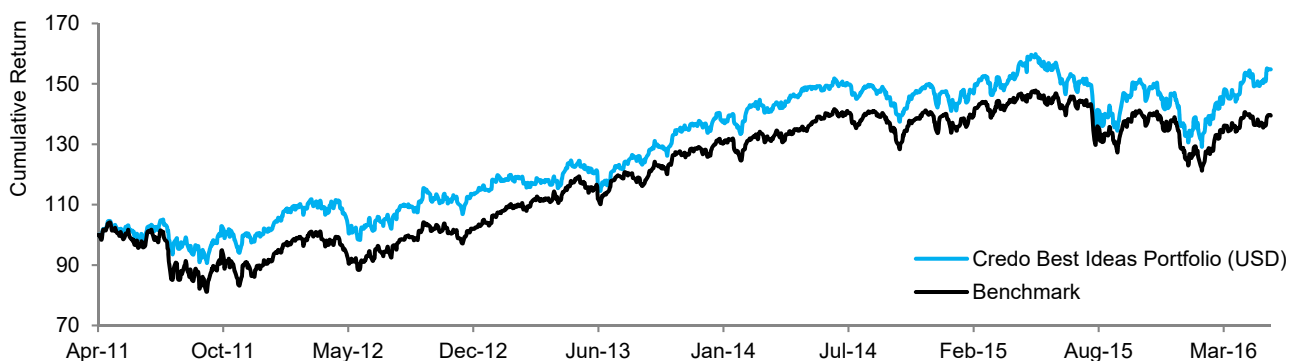
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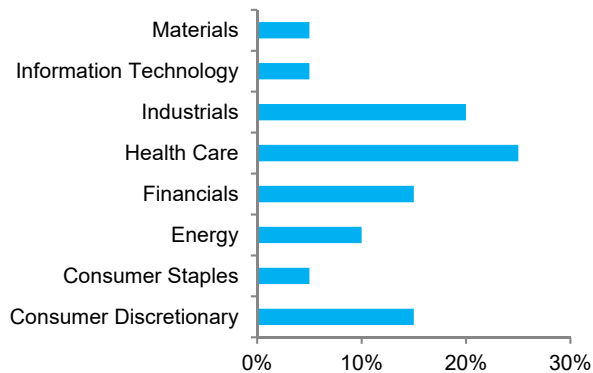
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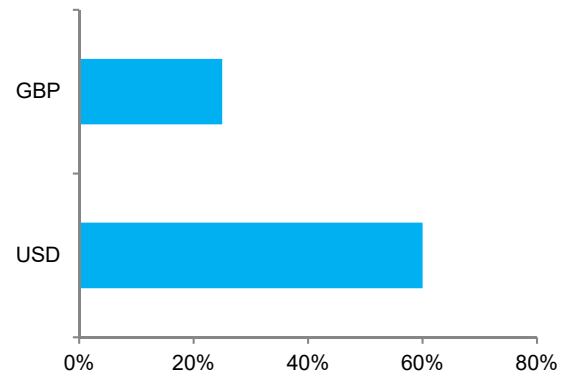
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