

## 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> | 94.9%                | 78.2%      | 16.7%           |
| <b>5 Year</b>          | 96.5%                | 95.1%      | 1.4%            |
| <b>3 Year</b>          | 50.4%                | 45.9%      | 4.5%            |
| <b>1 Year</b>          | 30.5%                | 24.6%      | 5.9%            |

| Short Term Returns | Best Ideas Portfolio | MSCI World | Relative Return |
|--------------------|----------------------|------------|-----------------|
| <b>YTD</b>         | 22.0%                | 17.7%      | 4.2%            |
| <b>3 Months</b>    | 12.3%                | 13.9%      | -1.6%           |
| <b>1 Month</b>     | -0.4%                | 0.7%       | -1.2%           |

## Market Commentary

August saw equity markets continue to advance after recovering from a small pullback in the first week of the month. European equities outperformed with the MSCI Europe ex UK up 0.78% in USD terms versus 0.14% for the S&P500. UK equities were again amongst the strongest performers in both local currency and USD terms – though contrasting the YTD trend it was smaller companies which outperformed during August as MSCI UK Small Cap increased 1.68% against 0.84% for the large cap index. Whilst bond yields in the US rose slightly to 1.58% during the period, yields in the UK and Germany continued to decline. Having been moving in line with US Treasuries, above 2% just over 18 months ago, 10 yr UK gilts ended the month yielding below 0.65%. Having seen a decline down below 1.29 in the middle of the month, Sterling saw a reversal against the dollar to end August over 1.31.

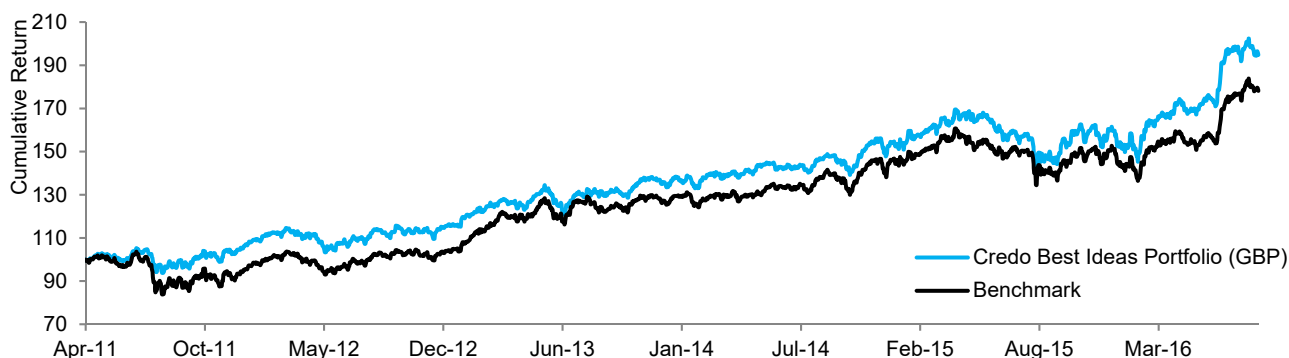
### Key Contributors to Return

Wells Fargo's shares increased by 7.5% as the market started pricing in a higher probability of interest rate hikes. Union Pacific's shares increased by 3.9% continuing their strong momentum since the beginning of the year.

### Key Detractors from Return

Autozone's shares declined by -8.3%, underperforming along with the auto parts retail sector. Stericycle's shares declined by -4.1% following a -13.0% fall in prior month as the market continues to digest July's poor results. Our position is currently under review as we analyse the latest news and price reaction.

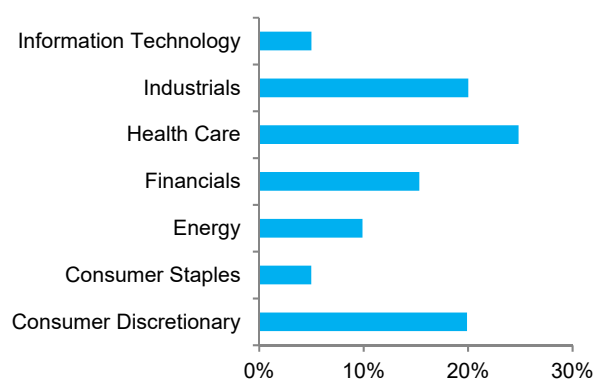
## Performance Since Inception (14/04/2011)<sup>2</sup>



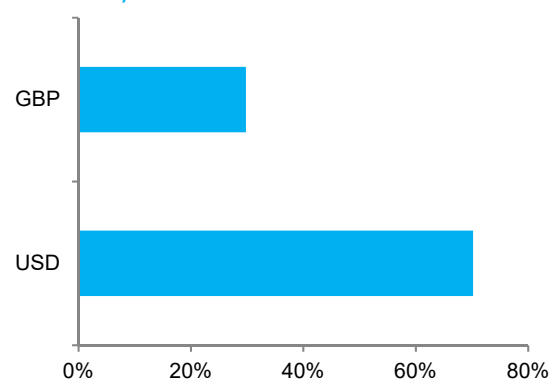
## Sample Portfolio Statistics<sup>2</sup>

|                                | Current Price | Trailing 12 Month P/E | 12 Month Forward P/E | Dividend Yield |
|--------------------------------|---------------|-----------------------|----------------------|----------------|
| Chubb Ltd                      | \$126.9       | 13.4x                 | 13.3x                | 2.2%           |
| Quest Diagnostics Inc          | \$82.8        | 17.9x                 | 16.2x                | 1.9%           |
| Microsoft Corp                 | \$57.5        | 27.2x                 | 19.9x                | 2.5%           |
| <b>Total Portfolio Average</b> |               | <b>20.0x</b>          | <b>17.9x</b>         | <b>2.2%</b>    |
| <b>MSCI World</b>              |               | <b>22.2x</b>          | <b>17.5x</b>         | <b>2.6%</b>    |

## Sector Allocation



## Currency Allocation



## Investment Philosophy

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

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

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

(2) Source: Bloomberg pricing as of 31/08/2016 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> | 57.4%                | 43.9%      | 13.5%           |
| <b>5 Year</b>          | 58.7%                | 57.5%      | 1.2%            |
| <b>3 Year</b>          | 27.7%                | 23.9%      | 3.8%            |
| <b>1 Year</b>          | 11.7%                | 6.7%       | 5.0%            |

| Short Term Returns | Best Ideas Portfolio | MSCI World | Relative Return |
|--------------------|----------------------|------------|-----------------|
| <b>YTD</b>         | 8.8%                 | 5.0%       | 3.8%            |
| <b>3 Months</b>    | 1.7%                 | 3.1%       | -1.5%           |
| <b>1 Month</b>     | -1.1%                | 0.1%       | -1.2%           |

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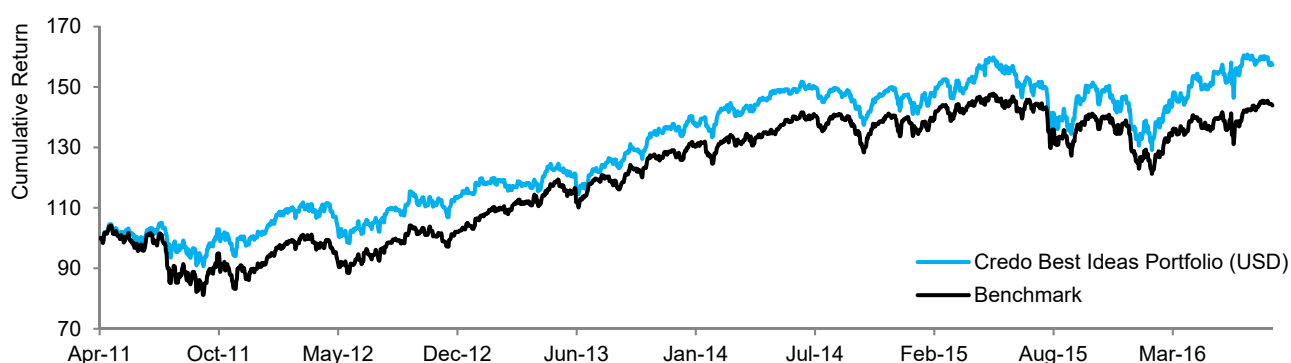
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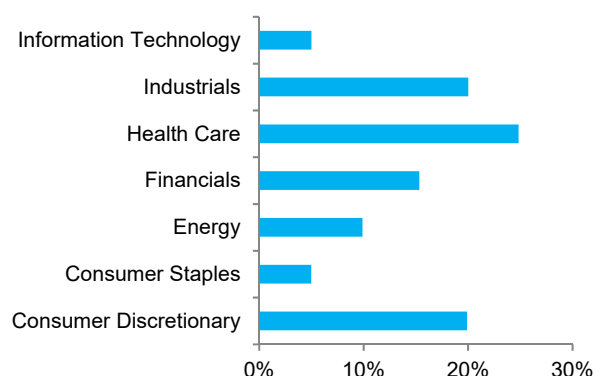
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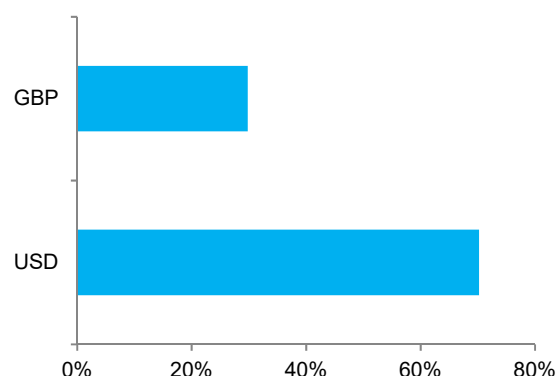
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