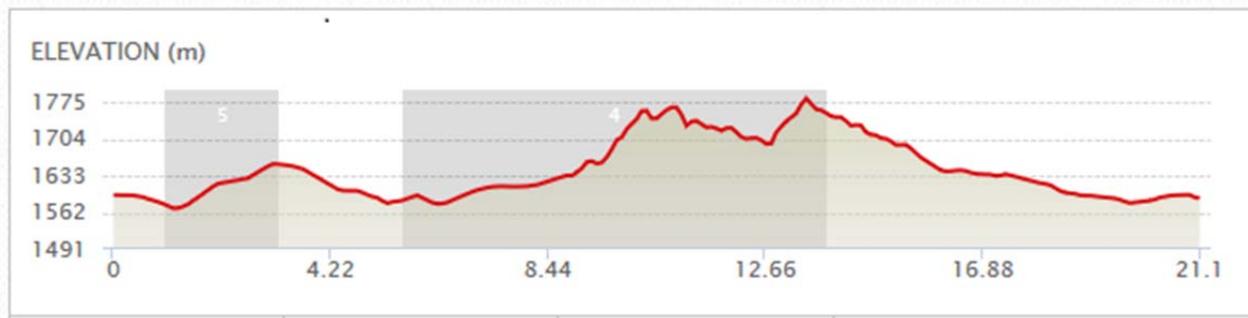


Is this a Road Race or the Stock Market?



By the time you read this we will have experienced an interesting, albeit volatile, year in international investment markets. As you can see from the graph above the market gave back all the gains made earlier in the year... no, wait the above is not the stock market, it is actually a road race! The full graph of this race can be found below and it is none other than the toughest half marathon Gauteng has to offer: the Pirates 21.1km race.



Credo Wealth is sponsoring the 2016 Pirates race, to be held on the 21st February. More information about the race can be found at www.pirates21.co.za. As Credo is sponsoring the race I have signed up to run it – despite being one of the toughest half marathons on offer, it will be my first attempt at road running! Obviously, that means I have a lot of training ahead of me. Fortunately, I have a few friends with vast running experience (not least our very own CIO, Deon Gouws, who boasts 26 Old Mutual Two Oceans ultra-marathons, 2 Comrades Marathons and more than 50 other marathons and ultras over the past three decades). To my surprise, I didn't really need much road running advice. Rather, all I need to do is apply some of Credo's principles of investing to my road running preparation.

Principles of Road Running and Investing:

Start early

The first thing Deon (and others) told me is that I have more than enough time to get fit for the race as I signed up early and I have already started training. The same applies to investing. The earlier you can start investing the better. Investing is a long term game and there is nothing more frustrating than looking for (or concentrating on) short term gains when one should have a long term outlook. There is, however, still hope if you haven't started investing. Always remember the ancient African proverb: "The best time to plant a tree was 20 years ago, the second best time is now."

Proceed with caution

I was advised that I shouldn't try to do too much too quickly. Having already applied Principle 1, the next step was to make sure I took it very slowly to avoid injury. One can get "injured" very quickly with one's investments if you get caught up in the short term market noise and the daily news flow. Just like I should take it slow and build my fitness levels in small increments, an investor should expect slow incremental increases in their investment portfolio over a long period of time.

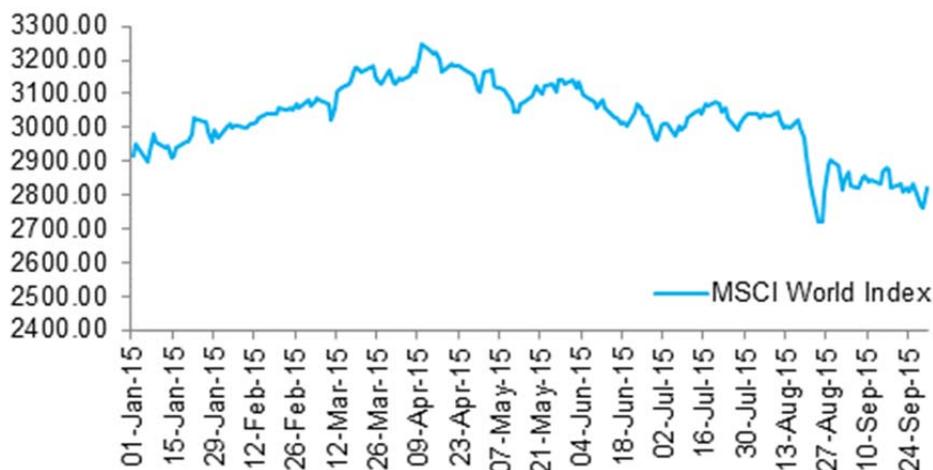
Keep going

Numerous South African friends with running experience have warned me about a mythical beast, the "Festive Season Bear" that jumps out – usually between 15 December and 15 January each year – ready to devour one's will power to maintain a fitness regime over the period. Apparently the only weapon against this beast is to "up your game". Strangely the Festive Season Bear has a remarkable resemblance to the "Bear of the Bear Market" that jumps out to devour your confidence and resolve in periods when investment markets go down. The best weapon against this beast is to increase your exposure by adding additional capital to your investment portfolio when markets are down: that is, to "up your game". To paraphrase Warren Buffett: despite the varied traumas of the 20th Century – from world war to deep recession – the Dow rose from 66 to 11,497.

It will be tough, but worth it

Even if I train consistently and manage to beat the Festive Season Bear, the race will still be tough. I have been told, however, that the elation of completing such a challenge makes all the hard work worthwhile. The same holds true for investing. The following graph plots the performance of the MSCI World Index (in pounds sterling) since the beginning of 2015.

MSCI World (GBP)



It continues to be a tough investment environment and the wounds from the most recent Bear are still raw, but we believe we will receive just reward so long as we stick to our principles over the long term and complete the challenge.

Please join us for the Pirates 21.1km road race on 21 February 2016. You are most welcome as a competitor or a supporter! We will be even more honoured if you contribute to your existing investment or start investing with Credo Wealth. Let's tackle the challenge of preserving and growing your wealth together.

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