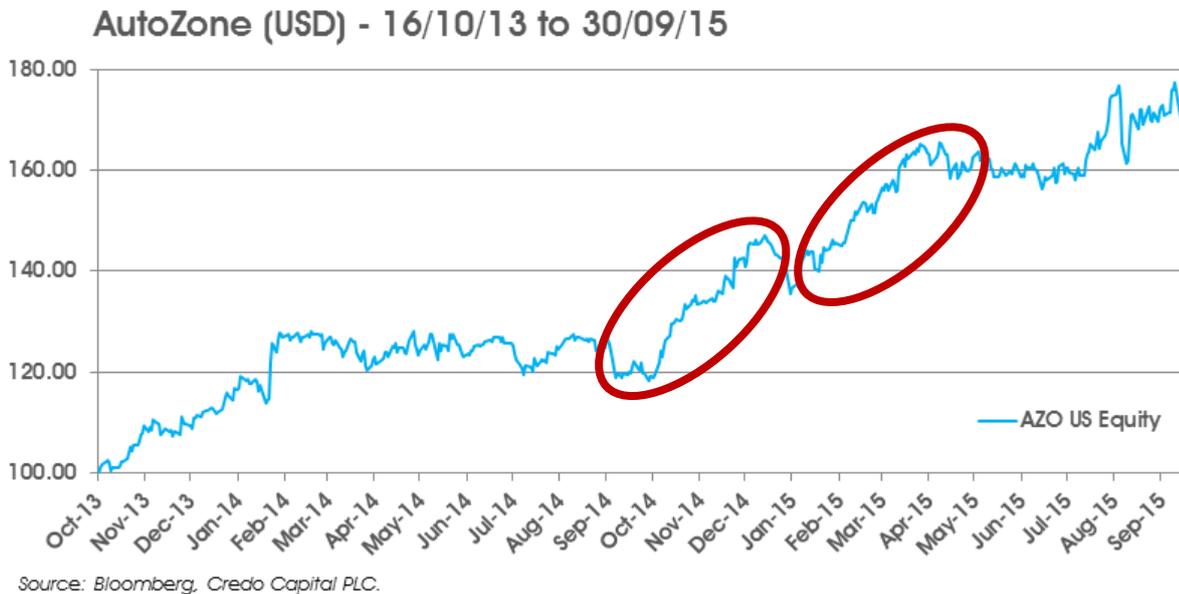


## Pirates21 and Investing



The above is not what you want to see when you open the elevation profile of a road race! Unfortunately it does look a lot like the first half of the Pirates21 race ([www.pirates21.co.za](http://www.pirates21.co.za)) with the two circles being perhaps the dreaded K1 & K2 (the nicknames given to the two most demanding climbs in the first half of the race). Fortunately this is not a real elevation profile of the Pirates21 race, but the price return of Autozone (indexed to 100) since Credo first purchased the stock in October 2013 for our clients invested in the Credo Best Ideas Portfolio. AutoZone is the leading “DIY” retailer and commercial distributor of automotive parts and accessories in the United States. This is a classic example of the type of investment one would want in your portfolio.

What you want to see in a race, but not in the stock market



The graph above resembles the second half of the Pirates21 race from where race participants reach the water tower at the summit of Northcliff koppie and can turn around and head downhill towards the finish line. Unfortunately, the graph actually depicts the price return of Tesco (indexed to 100) since we bought it for clients invested in the Credo Best Ideas Portfolio as well as the Credo Dividend Growth Portfolio. We sold the share at a loss in May 2014 (indicated by the red box on the graph), but we also managed to avoid a further loss of -35.6% from where we sold it to where the share price is today (21st October 2015).

The lesson from this is that even the best investment managers in the world do not make the correct investments all the time. That is why we firmly believe in investing in a diversified portfolio of quality assets like the Credo Best Ideas Portfolio or the Credo Dividend Growth Portfolio. We aim to buy as many “Autozones” as possible and try to avoid the “Tescos” in the process. While we don't get it right all of the time, we are proud of our track record of outperforming the MSCI World Index over the long term. Information regarding our products and services are available on [www.credogroup.com](http://www.credogroup.com)

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