

ODEY ABSOLUTE RETURN (IRL) FUND



Fund Manager Report

Introduction

In Q3-20 the Odey Absolute Return (IRL) Fund ('IAR') was +3.63% vs. the MSCI TR Daily Net World +3.16%. On average over the quarter, the Fund was +44% beta-adjusted net long equities. Attribution-wise, the long book made +11.08% with positive alpha of +5.08%, the short book lost -7.95% with negative alpha of -5.50% and currency hedges made +1.04%. Overall, global equity markets were stronger due to continued fiscal and monetary support and economies bounced back relatively well from the strict lockdown measures that had been in place earlier in the year.

Fund review

Aug-20 (+14.30%) was the best month in the history of the Fund. The strong month was mainly due to this being a time when much of our book reported results and a high percentage handsomely beat market expectations. We feel Covid-19 and the resulting economic crisis has enabled many of our long book companies to differentiate themselves operationally from their peers and we expect this trend to continue in the medium term.

AO World was our top contributor in the quarter (+4.01%) after they reported revenue growth of 60% in the UK and 90% in Germany. While this rate of sales growth was significantly higher than the market was expecting, we still feel the operational leverage of the business is misunderstood, as is the medium-term growth potential. Despite having performed well this year the shares still only trade on 60% of sales for a business that should trend towards a 6-7% EBIT margin with sales growing above 20% in the medium-term. Management clearly share our view about the valuation as they have just released a share scheme for senior management which pays out in a linear fashion linked to the share price in the range of £5.23-£12.55. As at 08-Oct-20 the shares are £2.20.

William Hill contributed +2.89% in the quarter and was a position we added to materially in March of this year at prices as low as 39p. William Hill's board recently accepted a cash offer from Caesars at 272p though we think this offer undervalues William Hill given its leading market share in the US. However, Caesars appear to have outfoxed them on the legality of their US joint venture deal, effectively ensuring there can be no other bidder despite interest from Apollo and others. While always disappointing to be forced to sell an asset below fair value, we have rotated some of our position into Caesars, which looks undervalued given the US assets they now control.

Plus500 (+2.15%) reported underlying earnings per share growth of 560% in H1-20, benefitting from increased stock market volatility, a stable technology platform and a best-in-class offering which resulted in them continuing to gain market share in a healthy market. Q3-20 also saw Plus500 confirmed as one of the first companies in Israel to be recognised as a "Preferred Technological Enterprise" owing to the strength of its proprietary technology. This award has resulted in the company receiving a backdated payment from the government for over \$100m and the tax rate halving to 12% as long as the company continues to invest in R&D at current levels, which they intend to do. Despite the upward move in the stock price, Plus500 still only trades on a 2020 PE of 3-4x and 2021 PE of 4-6x should they fail to acquire anything or win new licenses, which we feel is unlikely. We are ~30% ahead of consensus EPS for 2020 and ~100% ahead for 2021.

Performance

-2.2% Monthly performance
-1.2% Year-to-date performance
0.2% CAGR since inception

These figures refer to the past.
Past performance is not a reliable indicator of future results.

Fund details¹

£ I Class	100.31
£ R Class	105.08
\$ I Class	103.00
€ I Class	98.43
Fund Size	£16 million
Strategy AUM	\$659 million
Fund Inception	11 Dec 2018
Class Inception	11 Dec 2018
Fund Type	Irish Long/Short UCITS

Portfolio Managers

James Hanbury
Jamie Grimston

For full bios visit odey.com

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £1 share class. All data shown as at 30 September 2020. ¹U.S. Bank Global Fund Services (Ireland) Limited and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

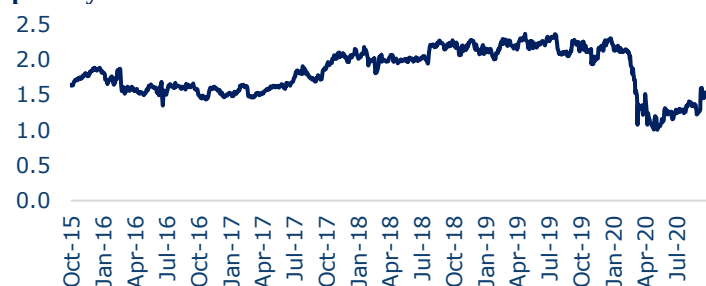
Hydrogen fuel cell company **Plug Power** (+1.81%) continued to perform well in the quarter driven by results, value accretive acquisitions and a flow of money into the cleantech space. Fundamentally, the company is incredibly well positioned to benefit from the long-term growth of hydrogen as a fuel source but with the shares up c.400% this year (and c.900% since we took an initial position in February 2018) we have sold 90% of our holding due to multiple risk. It has been a satisfactory investment and credit must go to Adrian Courtenay for sourcing the idea.

TCS Group Holding (+1.07%) was another long position in the Fund that was bid for during the quarter – by Russian technology company Yandex. Although we should theoretically be grateful to be able to sell a European bank at an all-time high, we again feel the leaked offer of only 8% upside on a low PE for TCS will not be enough to get us and other shareholders across the line. The deal at this stage is not binding though given it should be at least 50% accretive for Yandex before numerous operational synergies, we feel the mooted offer price will have to be increased. We have added to our position in this fintech business.

Frasers Group (+0.53%), formerly Sports Direct, confounded consensus – despite having two months of their year with shops closed during lockdown, growing EBITDA by 5% and guiding for the April 2021 year that profits would be up 10-30%. In typical owner-managed fashion, the company is also taking this opportunity to invest an extra £100m in their digital offering which is largely not being capitalised and is included in their forward guidance. Furthermore, the company has just put out a binary plan that says that if the shares are above £10 (£3.70 today) in the next 4 years there is a £100m share bonus paid to the top performing 1000 staff, available to everyone apart from owner Mike Ashely. The last time the company initiated such a scheme it sailed through its targets. This should be good for retention and culture though it also gives an insight into the companies ambition and assessment of its current valuation. Frasers Group is reflective of many companies in the portfolio – a growth businesses on a value multiple.

Hiscox (+0.51%), a relatively new position that we discussed in our Q2-20 commentary, had a positive development last quarter where the FCA verdict on the pay-out owed to policy holders for business interruption due to COVID-19 was significantly below market expectations. As the fog lifts on Hiscox's overall COVID exposure, the opportunity for them to write new business in a hardening market across their business lines sets the company up well. Despite underwriting conditions being better than they have been for many years, Hiscox's price to book is well below its 5-year average.

Exhibit 1: Hiscox 12m forward price to book over the past 5 years



Source: Odey unaudited internal data and Bloomberg.

Despite many of our companies performing well in the past couple of quarters the long book has still only performed broadly in line with the MSCI Daily TR Net World year-to-date. From our perspective, we view this with mixed emotions. On the one hand we feel somewhat disappointed given the market volatility of 2020 has created an environment where we should thrive and we feel we should be significantly ahead of the market year to date. On the other hand, we did not envisage the extent of the global pandemic and we came into COVID with a book which – in hindsight – could not have been worse positioned for it, as outlined in the chart below. Thus, to a certain extent we are pleased stock-selection has been sufficiently strong to have enabled the Fund to remain broadly in line with a US-heavy and technology-skewed global equity market. We also consider 2020 to have been a good stress test with regards to our risk controls and how quickly we adapted positioning.

Exhibit 2: Highlights of Long book positioning coming into COVID-19 (19/02/2020)



Source: Odey unaudited internal data.

Unsurprisingly the Fund's airline holdings have been one of the worst returns on capital in the portfolio since the start of the COVID crisis. Last quarter **IAG** cost the Fund -1.88% and **Jet2** (formerly Dart Group) -1.59% and, after initially cutting our exposure here, we have been slowly adding to our positions on weakness. As previously discussed, we believe we own the strongest players in the sector in terms of balance sheets, margins and market positioning and this crisis would unquestionably have improved their relative positioning. We believe further capacity will continue to come out of the space should the status quo continue. IATA estimates the airline industry will burn through \$77bn of cash in second half of 2020. Our current airline holdings are in Jet2, Ryanair, Southwest and IAG. For Jet2, our largest position and which is only exposed to consumer travel through its budget airlines and tour operations, we believe there is a reasonable chance that March 2022 is a record year for them due to pent up demand and capacity coming out of the space. Although not our base case, this would put them on <3x EBIT for a high quality, owner-managed franchise.

Ultimately, we view market dislocations such as March 2020 as tremendous opportunities and a key reason for this is the quality of our research and the long holding periods for our conviction names. The depth of our internal research gives us the confidence to add at points of maximum investor fear and vice versa. What can exacerbate the volatility of our positions is that they are generally poorly researched by the market. With regards to many of our names we strongly reject the notion that higher volatility implies equivalently higher business risk. Rather, in our view, higher volatility implies greater inefficiencies. The table below – illustrating ten long positions currently in the longer running UK domiciled version of the Fund (highly correlated with very similar positioning to this fund) – provides some context to the above.

Exhibit 3: Ten example positions currently in our long strategies

	Date of initial position	# of consecutive months held in portfolio	Price at initial position	Current price	Attribution (Realised P&L)	# of Bloomberg analyst recommendations	Owner Managed
Fraser's	May-09	136	£0.70	£3.45	13.5%	7	Yes
IWG	May-09	136	£0.68	£2.60	15.0%	8	Yes
Playtech	Apr-10	125	£5.05	£3.63	-0.9%	9	No
Plus 500	Jul-13	86	£1.20	£15.69	28.3%	5	Yes
TCS	Oct-13	83	£18.30	£26.45	4.5%	16	Yes
AO World	Feb-14	79	£2.85	£2.16	3.2%	7	Yes
Serco	Mar-14	78	£4.67	£1.27	-1.3%	11	No
Softbank	Mar-16	54	¥5928	¥6469	4.4%	22	Yes
ViaSat	Jan-17	44	\$62.34	\$34.39	-2.7%	9	Yes
Jet2	Sep-17	36	£5.20	£6.72	3.7%	7	Yes

Source: Odey unaudited internal data and Bloomberg as at 31-Aug-20 – data refers to strategy in LF Odey Absolute Return Fund.

The COVID impact

As the COVID crisis has been playing out it has become increasingly apparent which categories certain companies fall into in terms of how they are affected. This is the broad split as we see it.

Businesses that see a structural change accelerated in their favour

There are certain trends like the growth in virtual meetings and online shopping that have unquestionably received an abnormally large boost from the global pandemic, and they will not give-up all of their increased market share as the world returns to normal. **AO World** is a stock we own that we feel fits into this category. The move to buying major domestic appliances and electrical devices online has been helped enormously by lockdown yet it has also given AO the opportunity to win new customers, many of whom we believe they will hold onto. It is an important fact for AO that despite record sales growth their customer satisfaction scores have never been higher.

Business that get a largely one-off benefit

Several positions in our short book fit into this category. **Bunzl** is a distribution business facing major structural headwinds shown in its declining returns prior to COVID. However, it has subsequently benefitted hugely during COVID from the distribution of high margin, own label PPE and sanitising equipment. Unlike the market we put these gains on a very low multiple and hence we have re-initiated a short position in the company. **HelloFresh** is also a relatively new short position, the shares have performed well this year after profits and sales benefited from a jump in demand for home meal kits. Unlike the market we feel this is largely a one-off benefit for a company that has extremely high churn (we estimate 80%), low barriers to entry and a poor value offering.

Businesses not really effected

We are still thinking!

Business suffering short-term pain but long-term gain

We feel **Jet2** and our airlines holdings will fall into this category as the industry structure should be more attractive on the other side. Of course, we seek to own names where they can survive and where the dilution is not too extreme. Similarly, serviced office space provider **IWG** faces challenges short-term yet their leading cost base and network positions them best to harvest post COVID as business's start to decentralise their office space in response to employee demands, risk and cost controls.

Business that categorically lose out

We have been short the cinema space initially through **Cinemark** and now through **EPR** properties. Prior to this year we felt cinemas faced structural issues as they see shortening release windows and ultimately total disintermediation through pay-per-view releases direct from the Studios. Lockdown saw examples of the latter threat playing out as films like *Mulan* were released directly onto Disney Plus and we expect this to be the start of slippery slope for cinema operators. Shopping centres also fit into this category. Although we closed our Intu Properties short we have been amazed at how resilient the **Brookfield Property Partners** share price has been given 53% of their net operating income is generated from shopping centres and their extreme indebtedness. They have an LTV ratio of 67% (including preferred shares and capital securities) and, with net debt + preferred shares, a 15.7x trailing EBITDA.

Factor risks

As a strategy we do not seek to run large thematic positions, rather we believe our greatest edge is in stock-picking. The portfolio is constructed on a bottom-up basis and we look at factor risk models to see what risks we are coincidentally taking on. Since 2016 we have internalised our factor risk modelling more and this has been an improvement in our investment process. If the factor risks are too large we may seek to neutralise them somewhat (switching an index short into a mid-cap index short if we are too long mid-caps for example). There are times however when we happen to be long a certain factor and we are happy having this exposure after we have done the work to access the risks. For example, this happened in Q4-19 when we found our book to be long a Tory majority in the UK election. There are two factor risks at the moment where we are unusually long yet where we feel very comfortable and excited about the risk profile of the potential outcomes.

The first is that **we are implicitly long a SARS coV-2 vaccine in our book**. We feel this is one of those rare situations where the market at a stock level has become incredibly inefficient at pricing-in an outcome despite the data being available to make a rational and considered assessment. An unprecedented global effort has generated multiple vaccine candidates in late stage clinical trials based on a wide diversity of mechanisms and approaches. We are of the view the number and diversity of late-stage vaccine candidates effectively eliminates the risk that all fail on idiosyncratic grounds (individual candidate safety or efficacy issues) and that the risk that remains is systematic, i.e. there is an insurmountable biological barrier to successful vaccination against this virus. In our view, the systematic risk of failure is very low, circa 10%. The data so far has shown strong efficacy and acceptable safety across a number of clinical trials and it is highly likely that natural immunity to the virus exists that vaccines can mimic/trigger (unlike with HIV). This is in line with expert consensus, best encapsulated by the current superforecaster projection of an 87% chance of reasonably wide distribution of an FDA approved vaccine by 30th September 2021. We are at the bullish end of forecasts on timing given that up to four separate US/EU vaccine candidates and up to five Chinese/ Russian candidates should announce Phase 3 results before 2020 year-end.

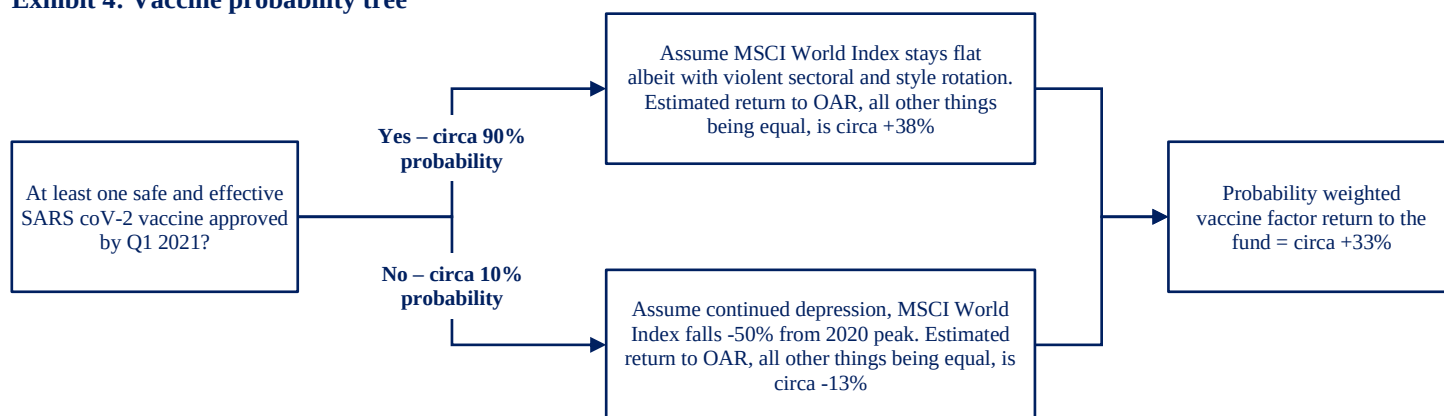
Regulatory approval is likely to follow days after strong data is submitted. Combining estimated probabilities of success of these candidates we estimate a c.80% chance of at least one vaccine approval in Q4-20 and a c.90% chance of an approval by the end of Q1-21. All of the leading vaccine candidates are manufacturing at present on risk so the moment that regulatory approval is granted the vaccines can be distributed. It will of

course take a few quarters for the total population to have full access to the vaccines yet the key point to our mind is that quite quickly the vulnerable minority will have access to it which should mean that economies can return close to normality in reasonably short order.

Of course, we do not expect precise accuracy in our 90% forecast yet many stocks in our portfolio, like Jet2 as an example, are pricing in as low as a 20% chance of a vaccine coming through by the end of Q1-21. This is an odd and unusual situation where we are making no heroic assumptions and expert consensus broadly agrees with our odds of eventual vaccine success. Thus, on a bottom-up basis we own many stocks that we like anyway that we believe are grossly mispricing how the vaccine scenarios play out.

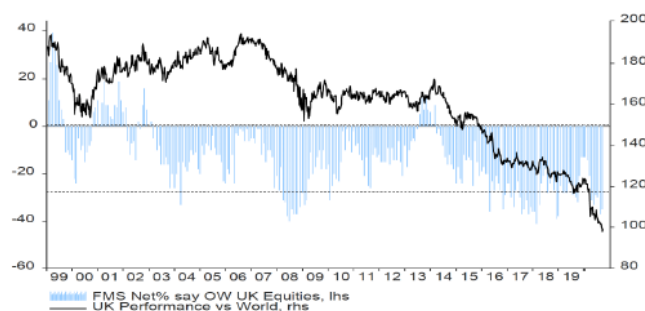
It is important to say that we are not setting up the portfolio as a high beta vaccine play. We tend to own the highest quality companies in their sectors which would actually likely benefit in a relative sense should the vaccine timing drag on. From a stock perspective this might sound like an unrealistic utopia, yet this is the polarised valuation world we are in at the moment where, as a value investor, you are spoiled for choice and do not need to compromise on quality. In the scenario that a vaccine does not come out next year and COVID drags on, triggering a depression and a renewed bear market, we estimate the portfolio would lose c.13% if we did not adjust it. Should a vaccine come through then we believe the portfolio will make c.38%. Given we feel one is a 10% chance and the other a 90% chance this creates an incredibly attractive pay-off for the portfolio with downside that is within our risk budget should our worst case scenario transpire.

Exhibit 4: Vaccine probability tree



The second major factor risk we have in the portfolio is that **we are long domestic UK**. Again, like the ‘vaccine stocks’ we feel there is so much pessimism already priced into UK domestic stocks that the downside is relatively limited and the upside is quite material. We have shown similar charts before yet the most recent has become even more extreme.

Exhibit 5: Net percentage asset allocators who are overweight UK equities

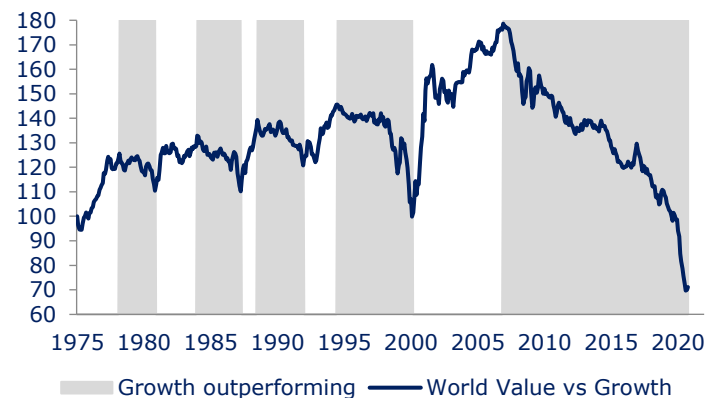


Source: BofA Global Fund Manager Survey as at Sep-20.

Clearly the concern is over the UK leaving the EU with no deal or an extension at the end of 2020. We continue to feel that pragmatism will prevail here yet if there is no deal with the EU then we believe our companies can still thrive (and are significantly undervalued) albeit there will be some short-term share price volatility. We price this factor risk on how we feel the market would react and not how it would impact the intrinsic value of the business themselves. Again, encouragingly it shows extremely attractive asymmetry of returns – an estimated +15% return for the Fund if there is some form of deal agreed by UK and EU by 31-Dec-20 versus a potential -7% loss on the Fund should there not be a deal or extension. Despite following it closely and assessing there to be significantly less than a 50% chance of a true 'hard Brexit' even if was an events event the payoff would still look very attractive for our portfolio.

The attraction of the vaccine and UK factor risks is that there is a clear and short-term timeline to them playing out, which we believe sets the portfolio up very well over the next six months. Another factor that we are long of through our bottom-up construction of the portfolio is value. With the value/growth debate it is harder to be time specific about a potential inflexion point yet given the extreme polarisation of the market and how low discount rates are, we feel this is a factor risk we are again happy to be long of. In our previous newsletter we ran through the drivers that make us more bullish on inflation than what is priced-in (see appendix below) and implicitly discounts rates, a Democratic clean sweep would be another inflationary factor to add to the equation along with a successful vaccine. With the Democrats holding both houses, fiscal stimulus is guided to be significantly higher over the next few years than what the Republicans would allow. Both the UK and value factors have been headwinds for the portfolio in the last few years and as we have indicated above we feel there is a reasonable chance that these can become tail winds in the short to medium term.

Exhibit 6: Outperformance of 'Growth' vs. 'Value' - MSCI World Value vs. Growth price performance



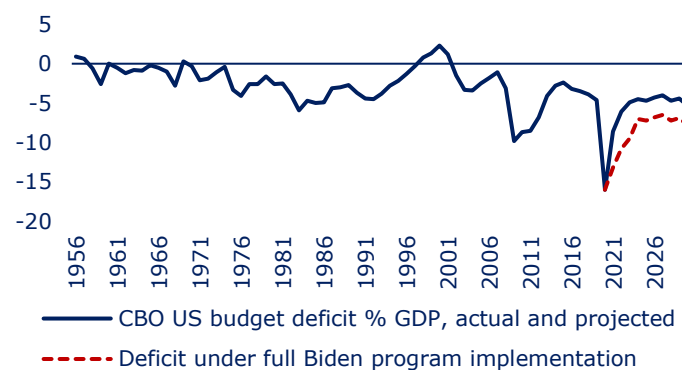
Source: Datastream and Goldman Sachs Global Investment Research.

The most important take away from the above commentary on factor risks is that we are not buying stocks to fit a factor. Rather, we are selecting stocks on a bottom-up basis via deep-dive research and our long book today happens, in aggregate, to be long UK, long a Vaccine and long Value. The fact that we are choosing stocks not themes is, we believe, what has allowed us to swim upstream over the past 3 years.

Macro

Never has there been a better excuse for governments to turn on the fiscal taps than after the black swan event of Covid-19. We continue to believe the risk of inflation is under-priced by the market and with aggressive monetary and fiscal stimulus set to continue, this may well come at a time when a vaccine releases a demand shock into the system. There has been support from other central bankers after Jay Powell, the Fed Chair, announced that the Fed will be moving to 'an average inflation target', which will allow it to overshoot the US central bank's 2% target to compensate for persistently low inflation. Maybe this will prove to be a seminal moment in modern day monetary policy. We continue to prefer the European (and particularly the UK) economic set up relative to that of the US. The amount of demand that both potential presidents are hoping to pull forward from the future, through fiscal stimulus, would be extreme especially when one considers the starting point. When one takes into account how negative the twin deficit for the US will become it argues for the US and its companies to see a rising cost of capital relative to other developed nations. The chart below shows the forecast fiscal deficit under Joe Biden's plans.

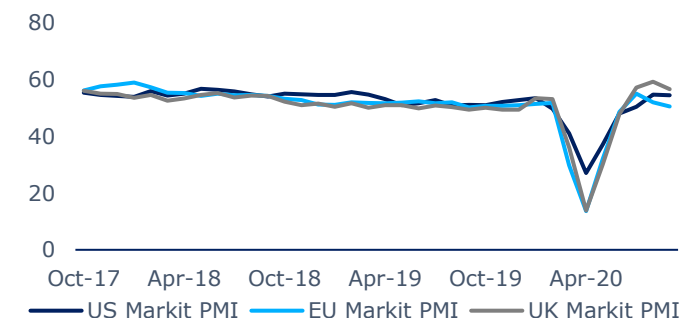
Exhibit 7: US budget deficit (forecast and actual) and under Joe Biden's plans



Source: Haver & Odey unaudited internal data.

In the UK we like the political and macro set up. With regards to COVID, despite feeling there is a poor and potentially damaging understanding of false positive cases (as in most developed nations), we believe COVID from an economic perspective has been dealt with well by the UK chancellor. We feel that removing the uncertainty of an EU deal either way could prove to be catalyst for investment spending. In the meantime, the UK economy has bounced back at least as well as other Western economies, as seen by the PMI charts.

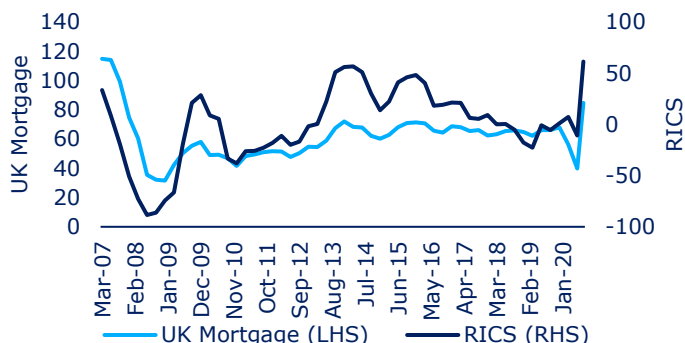
Exhibit 8: Markit composite PMI's of US, UK and Eurozone



Source: Markit.

The UK consumer, having been given the opportunity to deleverage by the government, is in good health and we do not share the more pessimistic views of a significant jump in unemployment post removal of the Government jobs support. We like our exposure to UK construction given that we feel this will be a prime area of focus for government support on top of strong underlying demand.

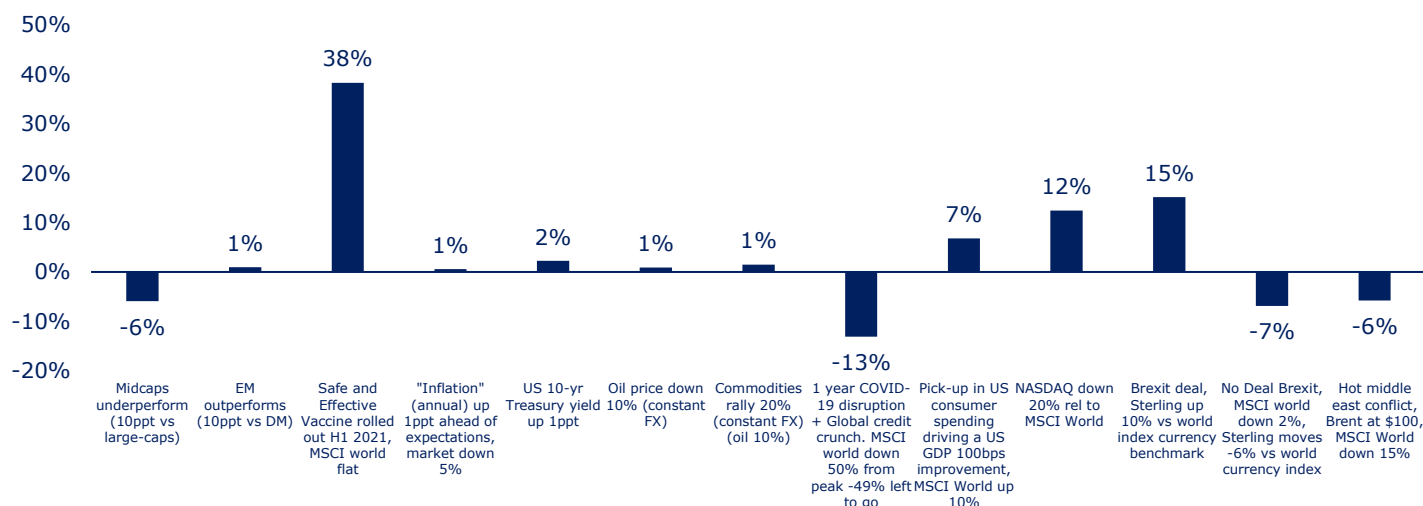
Exhibit 9: UK mortgage applications and RICS house prices Mar-07 to Aug-20



Source: Bloomberg.

Appendix

Exhibit 10: Odey Absolute Return (IRL) Fund Estimated Factor Return



Source: Odey unaudited internal data as at 6-Oct-20. Note: Assumes current currency hedging; The information above is an estimation of the expected factor return; Odey may make investment decisions that are inconsistent with these views expressed in this communication. The chart above presents projections of future performance. These projections are based on a number of assumptions that may or may not prove to be accurate. Future performance is subject to a wide range of significant risks. As a result, there can be no assurance that the projections in the chart above will prove to be accurate.

Reasons cited in previous newsletter for why inflation could come through faster than expected above and beyond a demand shock from a vaccine.

1. High levels of monetary stimulus.
2. High levels of fiscal stimulus.
3. Incentives for central banks and governments to be behind the curve.
4. Short term disrupted supply chains.
5. Medium term deglobalisation of supply chains.
6. Lack of investment in many capital intensive industries for multiyear period.
7. Consolidation in key sectors creating more pricing power.
8. Increase in cost of production linked to green regulation.

James Hanbury

ODEY ABSOLUTE RETURN (IRL) FUND

ODEY
ASSET MANAGEMENT

Performance

	1-month	3-month	1-year	YTD	Since inception	CAGR since inc.
Fund	-2.2	3.6	14.1	-1.2	0.3	0.2
MSCI Daily TR Net World	-0.5	3.2	5.2	4.2	21.4	11.3
Relative	-1.7	0.5	8.9	-5.4	-21.1	-11.2

DISCRETE YEARLY PERFORMANCE

	1-year to 30 Sep 20
Fund	14.1
MSCI Daily TR Net World	5.2
Relative	8.9

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-5.7	-4.2	-12.9	9.5	8.3	2.2	-7.3	14.3	-2.2				-1.2
2019	6.1	-4.9	0.6	-1.8	3.0	-6.0	-4.0	0.4	0.2	4.7	2.1	8.0	7.5
2018												-5.6	-5.6

Fund details¹

£ I Class	100.31
£ R Class	105.08
\$ I Class	103.00
€ I Class	98.43
Fund Size	£16 million
Strategy AUM	\$659 million
Fund Inception	11 Dec 2018
Class Inception	11 Dec 2018
Fund Type	Irish Long/Short UCITS
Comparators	Primary: Cash Secondary: MSCI Daily TR Net World GBP
Base Currency	£

Live fund dashboard

Get the latest fund information on the odey.com fund dashboard (registration required)

[View dashboard on odey.com >](#)

Top ten equities as percentage of NAV

	Strategy	Notional Exposure
Plus500	Long	9.9%
AO World	Long	9.3%
IWG	Long	8.3%
Dart	Long	8.2%
Novagold Resources	Long	4.8%
Hiscox	Long	4.6%
Playtech	Long	4.6%
ArcelorMittal	Long	4.5%
IP Group	Long	4.5%
Eurofins Scientific	Short	-4.5%

Statistics

	1-year	Inception
Fund annual s.dev.	26.6	22.1
Index annual s.dev.	17.9	15.1
Alpha	0.7	-0.6
Beta	1.2	0.8
Correlation	0.8	0.6
Sharpe Ratio	0.6	0.2
Information Ratio	0.5	-0.6
Tracking Error	16.4	18.4

Important information

These figures refer to the past. Past performance is not a reliable indicator of future results.

This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available at odey.com. The performance calculation shown is based on the GBP share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

Fund team and contact details

PORTFOLIO MANAGERS

James Hanbury
Jamie Grimston

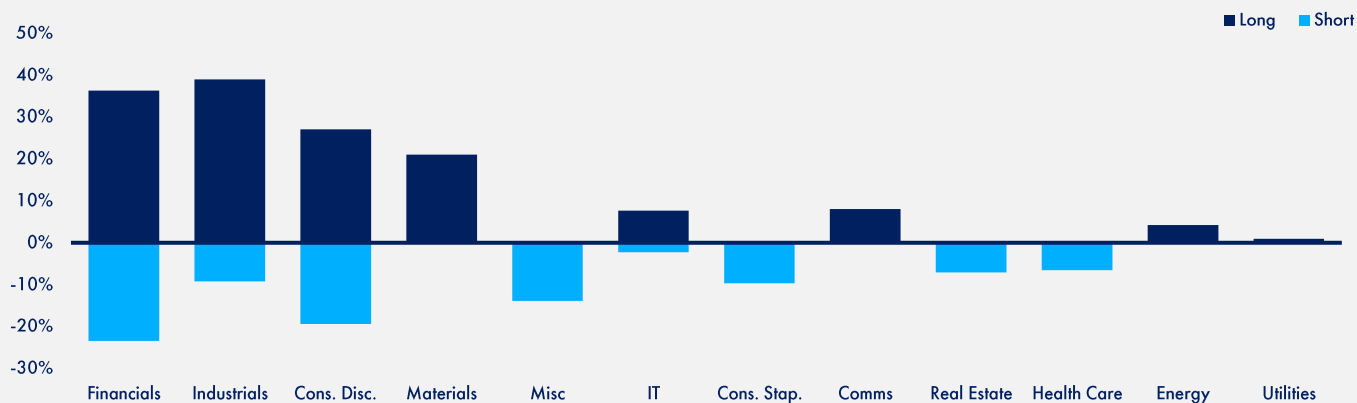
For full bios visit [odey.com](#)

ENQUIRIES

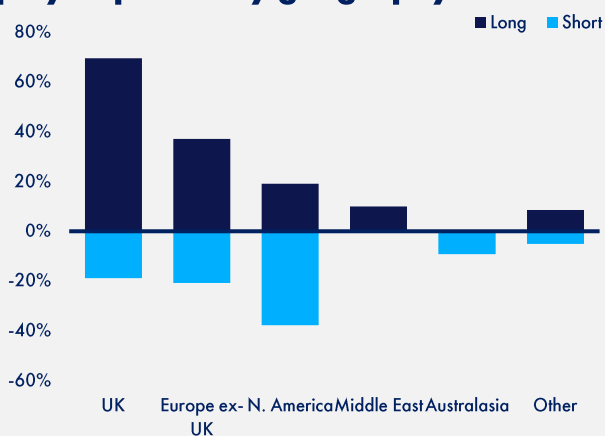
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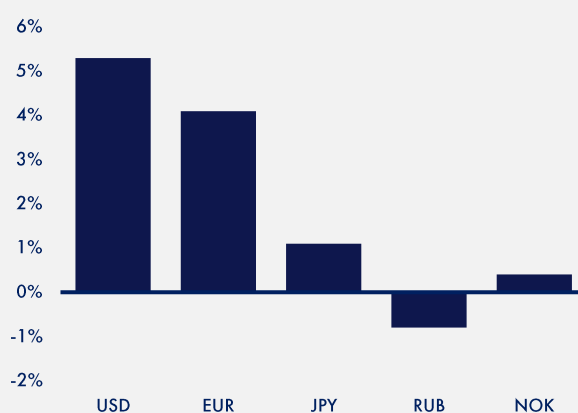
Equity exposure by sector



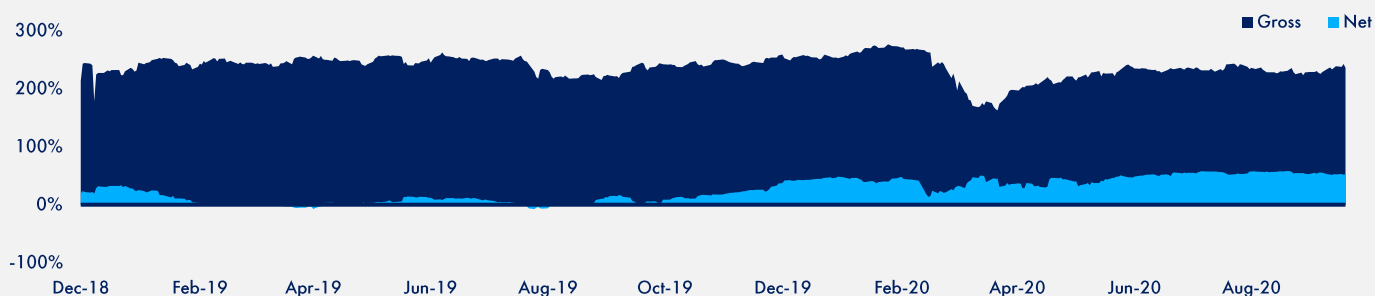
Equity exposure by geography



Non-base currency exposure



Equity exposure



ASSET ALLOCATION AS PERCENTAGE OF NAV

Long Equity	144.3
Short Equity	-91.7
Foreign Exchange	11.3

Net	52.6
Gross	236.1
Beta adjusted net exposure (2yr)	35.3

Note: Equity exposure includes all equity related instruments. Any exposure to fixed income, bond futures or interest rate futures is provided on a ten-year adjusted basis. Currency exposure shows non-base currency through forward currency contracts and portfolio holdings. Equity exposure as classified by GICS. Commentary is provided on a quarterly basis.

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ I share class. All data shown as at 30 September 2020. ¹U.S. Bank Global Fund Services (Ireland) Limited and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

ODEY ABSOLUTE RETURN (IRL) FUND

SEPTEMBER 2020 | £ I SHARE CLASS | FACTSHEET

ODEY
ASSET MANAGEMENT

Investment objective and policy

The investment objective of the Fund is to provide a positive absolute return and capital appreciation independent of market conditions over the medium to long term. The Fund aims to achieve its investment objective by investing in a portfolio of global equity and equity related securities, debt securities and currencies.

APPROACH

The Fund is a concentrated, return-seeking global equity-long short strategy. It harnesses the experience and judgement of James Hanbury, his investment team and the significant research resource at Odey. The portfolio managers are opportunistic in scope and, while not a prerequisite, are attracted to owner-managed companies and situations where, in their view, the perceived risk is higher than the actual risk, which often occur during reorganisations or complex restructurings. The team invest for the medium to long term though continuously resize positions to ensure the portfolio remains focused on their highest conviction ideas. The Fund is built without formal reference to an index and typically contains 30-50 positions both long and short with a higher concentration in the top 10 positions.

RISK CONSIDERATIONS

The Fund has considerable latitude over its allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. The Fund may hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

Investor information

Share classes	I (£, €, \$), R (£, €, \$).	Minimum investment	I £1,000,000; R £5,000; or equivalent in EUR or USD.
Share class hedging	Non-base currency share classes are hedged.	Dividends	Reporting and accumulation share classes available.
Trade date (T)	Daily.	Administrator	U.S. Bank Global Fund Services (Ireland) Limited.
Dealing	By 2pm T-1.	Auditor	Deloitte LLP Dublin.
Valuation	Close of business T-1.	Depository	J.P. Morgan Bank (Ireland) Plc.
Front end fee	Up to 5%.	Price reporting	Prices published daily in Financial Times.
Annual management fee	I 0.75%, R 1.25%.	ISIN	£I: IE00BF7JHD63, €I: IE00BF7JHG94, \$I: IE00BF7JHJ26, £R: IE00BF7JHF87, €R: IE00BF7JHH02, \$R: IE00BF7JHK31.
Performance fee basis	20% of the increase in absolute outperformance of the share class during a performance period. Fees crystallise annually, and on redemption. Losses carried forward.	SEDOL	£I: BF7JHD6, €I: BF7JHG9, \$I: BF7JHJ2, £R: BF7JHF8, €R: BF7JHH0, \$R: BF7JHK3.
Anti-dilution fee	Applies to subs/reds if net subs/reds >5% of NAV.		

Important information

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

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Glossary of terms

Please refer to the fund's prospectus for detailed information. Some terms listed are not relevant for every fund. This document is intended for use by individuals who are not familiar with investment terminology. Please contact Odey if you need an explanation of these terms.

Absolute return: The return that an asset/fund achieves over a period of time looking at the appreciation or depreciation (expressed as a percentage) that the asset/fund achieves.

Acc/Accumulation class: A share class which accumulates and reinvests net investment income and net realised capital gains and does not pay dividends.

Active currency exposure: The percentage of a fund's assets which are invested in a particular currency.

Administrator: The specialist entity who maintains the register of shares, provides fund valuation and accounting services.

AIF: Alternative Investment Fund as regulated by the Alternative Fund Management Directive.

Alpha: A measure of performance on a risk-adjusted basis, often seen as the active return on an investment.

Annual management fee: The fee payable by the fund to the investment manager to cover expenses associated with running the fund.

Anti-dilution fee/levy: A fee levied by a fund on investors buying/selling shares to protect current shareholders from the dealing costs incurred when paying out or taking in clients.

Asset class: A group of securities that exhibits similar characteristics, behaves similarly in the marketplace and is subject to the same laws and regulations. The three main asset classes are equities (or stocks); fixed income, or bonds and cash equivalents, or money market instruments.

Base currency: Each fund has a base currency and this is the currency which the fund uses to calculate its net asset value.

Beta: A measure of the fund's volatility in comparison to its benchmark.

CAGR: Compound Annual Growth Rate (CAGR) is the rate at which the fund/benchmark has grown on an annual basis to reach the current performance since inception.

Capital growth/appreciation: Capital growth is measured on the basis of the current value of the asset or investment, in relation to the amount originally invested in it.

Commodity: A physical substance (such as food, grain, metal) which investors buy and sell through futures contracts.

Comparative/Index/Benchmark (e.g. MSCI): A comparator the fund has used to compare its performance to or for its performance fee calculation.

Contribution: Used to explain the breakdown of a fund's absolute performance.

Correlation: A statistic that measures the degree to which two securities move in relation to each other.

Dealing: Arranging the sale and purchase of shares in a fund.

Delta: A ratio comparing the change in the price of an asset to the corresponding change in the price of its derivative.

Derivatives (futures, options, swaps and contracts for difference): A financial contract based on an underlying asset or financial index with its value determined by fluctuations in the underlying asset/index. Derivatives may be used to manage risk in portfolios, for greater flexibility to lower costs, to gain leverage and to enhance returns.

Dist/Distributing Class/Inc/Income: A share class which pays dividend distributions.

Dividends: A sum of money paid regularly (typically annually) by a company to its shareholders out of its profits (or reserves).

Equity/Security: The percentage of the fund that is currently invested in the equity market.

Exposure: The amount invested in a particular type of security, market sector or industry, usually expressed as a percentage of the total portfolio holding.

Fixed income security: A type of investment which pays out periodic income of a fixed amount on a fixed schedule e.g. a bond is a fixed-income security.

Forward currency contracts: A foreign exchange contract that locks in the exchange rate for the purchase or sale of a currency on a future date.

Front end fee: The initial fee/sales charge applied at the time of an initial purchase of an investment.

Fund: LF Odey Absolute Return (IRL) Fund.

Global Industry Classification Standard (GICS): A standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's.

Government bond: A bond issued by a government to support government spending, often issued in the country's domestic currency.

Gross: The total rate of return on an investment before the deduction of any fees or expenses.

Hedged class: A share class giving exposure to assets denominated in foreign currencies without the currency risk of the fund's base currency. Techniques and instruments are used to limit the currency risk between the hedged class and the base currency.

Hedging: Hedging against investment risk means strategically using financial instruments in the market to reduce the risk of adverse price movements.

High water mark: The highest value that an investment fund or account has reached over a specified period of time.

Information ratio: A measure of the fund's returns above the returns of the benchmark to the volatility of those returns.

Investment Manager: Odey Asset Management LLP.

ISIN: An ISIN (International Securities Identification Number) uniquely identifies a security.

KIID: A KIID (Key Investor Information Document) must be provided to anyone who invests in a UCITS.

Leverage: An investment strategy of using borrowed money and/or financial instruments to increase the potential return of an investment.

Long: The practice of buying securities with the expectation the asset will rise in value.

NAV: The NAV (net asset value) of a fund is the value of the fund's assets less its liabilities. NAV per share is the value per share and is calculated by dividing the total NAV of the fund by the total number of shares.

Net: The total rate of return on an investment after the deduction of any fees or expenses, including annual management fee and performance fee where applicable.

Notional Exposure: The total value of a fund's leveraged assets.

Ongoing Charges Figure (OCF): A figure showing all annual charges and other operational expenses payable by a fund.

Performance attribution: A set of techniques that are used to explain why a fund's performance differs from a benchmark.

Performance fee: A fee payable to the investment manager on returns that, subject to a High Water Mark, the fund achieves either in absolute terms or relative to a performance fee benchmark. Please refer to fund prospectus for details.

Portfolio: A group of financial instruments such as shares, funds, bonds, cash and cash equivalents held by an investor and managed by a financial professional.

Proprietary currency positions: Foreign exchange contracts entered into by the fund for investment rather than hedging purposes.

Quoted securities: A quoted or listed security is a financial instrument that is traded through an exchange, such as the LSE, NYSE or Nasdaq.

Rebased method: Used to illustrate a fund's performance against comparative benchmark on a chart whereby they both start at the same point.

Rel/Relative: Calculates how much the fund has out/underperformed its comparative benchmark.

SEDOL: A SEDOL (Stock Exchange Daily Official List) is a unique number assigned by the London Stock Exchange and used in the UK and Ireland to identify securities.

Share class: A designation applied to a specified type of security such as shares in a fund. Each share class has its own rights.

Sharpe ratio: A measure for calculating risk-adjusted performance; the higher the ratio, the better risk-adjusted performance.

Short: The practice of selling borrowed securities with the expectation that the assets will decrease in value whereupon they will be repurchased and returned to the lender.

Since inception/Since inc.: Inception date is the date on which the fund launched.

Sortino: A variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative asset returns, called downside deviation. The Sortino ratio takes the asset's return and subtracts the risk-free rate, and then divides that amount by the asset's downside deviation.

Standard deviation/Sta. dev.: Measures the degree of variation of returns around the mean (average) return. When applied to the annual rate of return, it shows the historical volatility.

Statistics: Statistical measurements used to analyse historical fund data such as performance, volatility etc.

Strategy AUM: The total assets of the funds managed by the Investment Manager to a similar investment mandate.

Ten-year adjusted basis: Shows any exposure to Fixed Income, Bond Futures or Interest Rate Futures on a 10-year duration basis.

Tracking error: A risk measure showing how closely a fund's performance follows a particular benchmark.

Treynor: Treynor ratio, also known as the reward-to-volatility ratio, is a metric for returns that exceed those that might have been gained on a risk-less investment, per each unit of market risk.

UCITS: Undertakings for the Collective Investment of Transferable Securities (UCITS) is an EU regulatory framework creating a harmonized regime throughout EU for the management and sale of funds.