Brook Absolute Return (IRL) Fund

BROOK
ASSET MANAGEMENT

Portfolio Manager Report

Introduction

Q3-22 was a wild quarter for financial markets. Rate expectations were rebased significantly higher, US 30 year fixed mortgage rates reached levels not seen for 20 years, the central bank of Japan intervened in the currency markets and the Bank of England intervened in the long-dated bond market to mention but a few market moving events. The MSCI TR Net World was up +2.00% in sterling and down -6.19% in dollars.

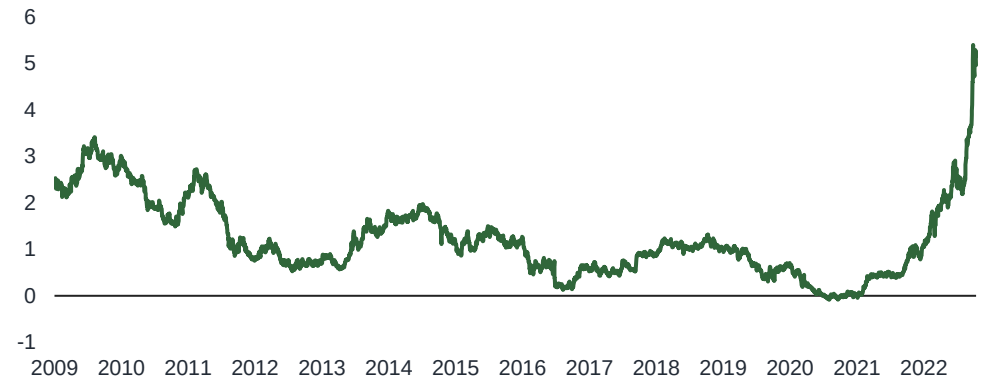
The fund was down -4.73% in Q3, driven by a poor long book performance of -9.02% offset to some degree by a strong short book performance of +4.94%. The long book was a big frustration as the majority of our companies are performing well operationally and we believe are well suited to this tough environment and yet they derated further to a median P/E of 8.2x. It was in fact the first time in the main UCITS strategy's almost 14-year history that we have had four consecutive quarters of negative long book alpha. The long book generated -8.13% alpha in the quarter. The short book generated +7.2% alpha. We added to many of our long names that derated and we believe this sets the fund up well for the future.

Exhibit 1: US 30 year mortgage rate (%)



Sources: Bloomberg, Bankrate.com.

Exhibit 2: UK 5 year swap rate (%)



Source: Bloomberg.

Performance

-4.7% Quarterly performance

-9.9% Year-to-date performance

7.0% CAGR since inception

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

Fund details[1]

£ I Class	129.36
£ R Class	95.78
$ I Class	134.20
$ R Class	91.28
€ I Class	125.42
€ R Class	85.26
Fund Size	£115 million
Strategy AUM	$763 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 brookam.com

Source: All sources, unless otherwise stated, are Brook internal unaudited data and refer to the £ I share class. All data shown as at 30 September 2022. [1]U.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.

Macro

We consider the step change in the rates market across the developed world as returning to the norm rather than a short term cyclical move higher. The low levels of risk free rates seen in the last few years has very much been the exception. QE suppressed yield curves have subdued volatility, distorted valuations of long duration assets, crushed interest income business models and often made investors behave as if they were playing with house money. It is our belief that these are conditions of the past and that more traditional valuation metrics will govern the next investment phase.

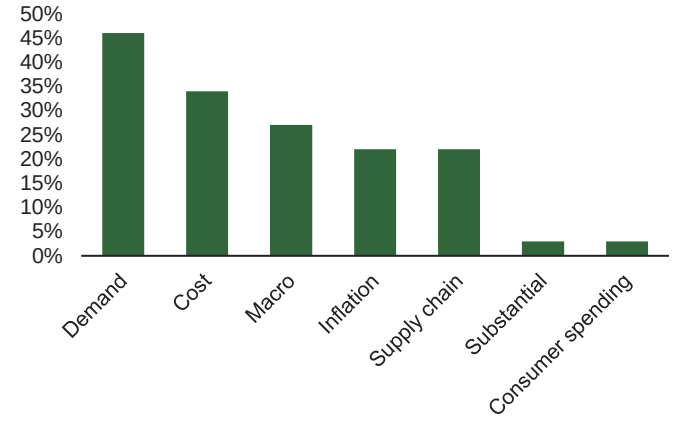
Exhibit 3: US and Euro ten year swap rates (%)



Source: Bloomberg as at 13-Oct-22.

The global economy has been slowing in recent quarters. Demand is being impacted by consumers and businesses who are seeing cost pressures and a more expensive debt/mortgage market. There has been a notable pickup in profit warnings and these key words from 90 instances of negative news reviewed give a sense of some of the issues that companies are coming across.

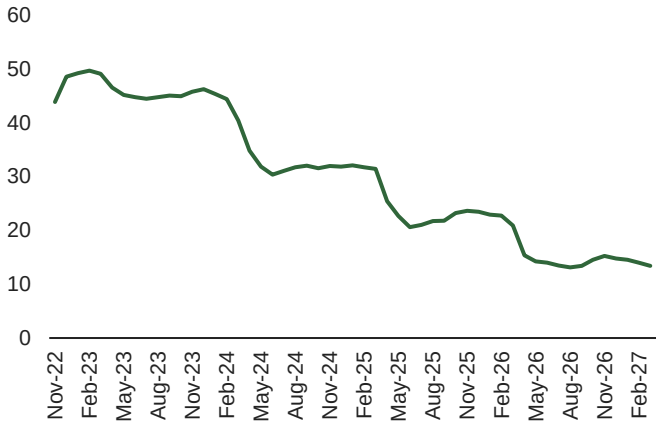
Exhibit 4: Keyword frequency within negative company news | 1-Sep-22 to 18-Oct-22 (company reporting + press)



Source: Brook unaudited internal data.

This is an odd period for companies where developed world nominal GDP is growing very rapidly but with anaemic real GDP growth. This means that companies on average should be reporting high single digit sales growth with % margins down a bit. Of course, there is a spread around how well companies are coping with this dynamic but so far this is not a bad scenario. The companies who have had the largest cost issue to deal with are those exposed to European energy prices. Whilst there has been government support for consumers there has been less for corporates. Companies exposed to European energy prices have seen share prices down significantly as the market has priced the margin squeeze in for a long period of time. Our view, backed up by the gas forward curve, is that these exceptional costs should be put on a multiple of 1-3x and with this approach it creates some interesting buying opportunities in European industrials. It is not impossible that in 2-3 years European energy prices could be structurally lower than before the Ukraine invasion due to increased diversified energy supply and reduced gas demand.

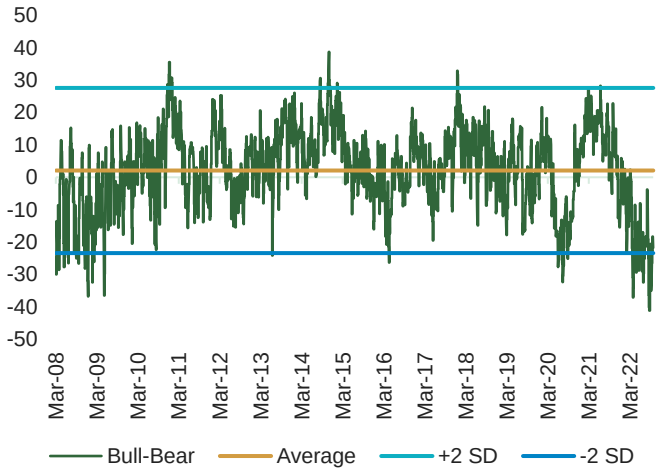
Exhibit 5: Dutch TTF natural gas futures curve (USD /MMbtu)



Source: Bloomberg.

One of our observations at present is that the vast majority of market participants believe there is a recession coming in the next 12 months. This has created a situation where cyclicals have been heavily sold and are in some cases pricing in a downturn worse than the Great Financial Crisis (as discussed in our Q2-22 newsletter). Whilst we see a recession as our base case we feel it is unlikely to be as severe as 2008 and that has created an interesting buying opportunity for those prepared to take on short term volatility to pick up high quality assets at discounted prices. This point of pessimism levels being priced into stocks is backed up by institutional sentiment surveys being at record low levels. Interestingly retail sentiment in the US still shows signs of optimism through some irrational valuation of stocks and resilient fund flows. This has been an area of focus for our short book.

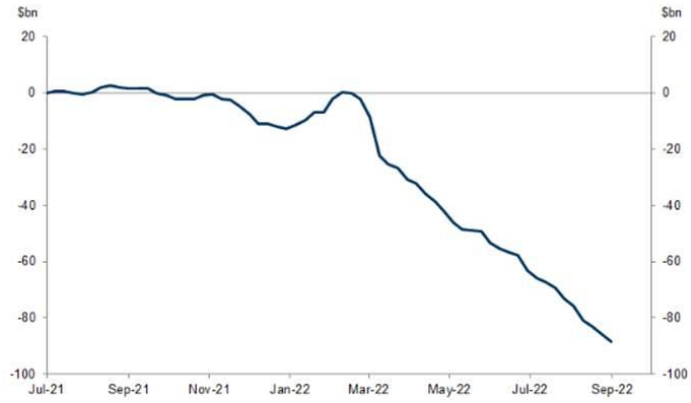
Exhibit 6: American Association of Individual Investors, bullish responses – bearish responses



Source: Bloomberg, American Association of Individual Investors.

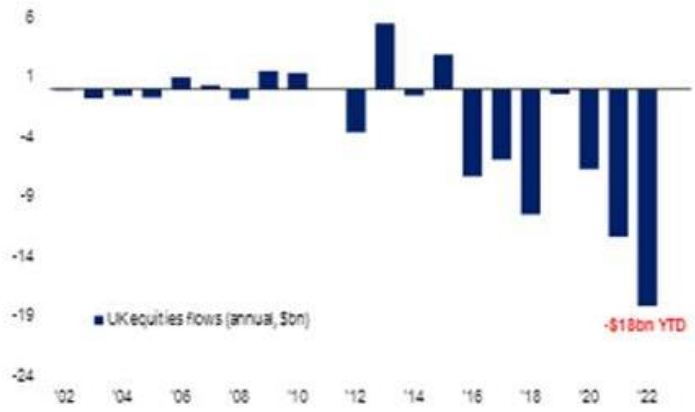
Negative investor sentiment towards Europe, particularly since the Ukraine invasion has led to large outflows in European funds. It is not surprising then that European stocks are at a record low valuations relative to their US counterparts. A key part of our job as equity fund managers is to try and shut out the noise, remain dispassionate and take advantage of what we consider to be anomalous and distressed valuations. Interestingly this extreme pessimism in European equity comes at a time when there is a high level of insider buying.

Exhibit 7: Cumulative flows into Western Europe equity funds



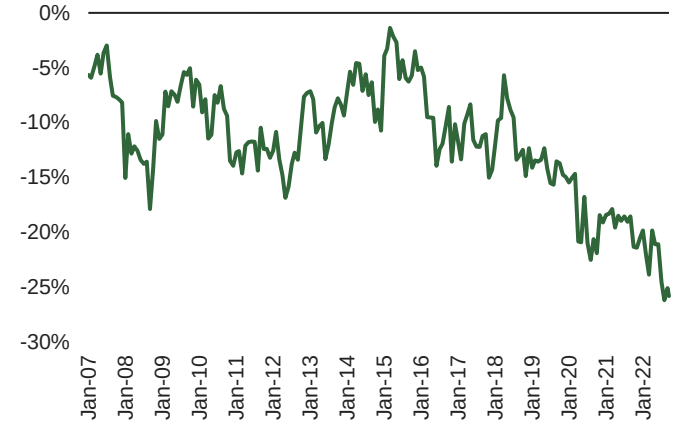
Source: EPFR, Haver Analytics, Goldman Sachs Investment Research, Sep-22.

Exhibit 8: Cumulative flows into UK equity funds



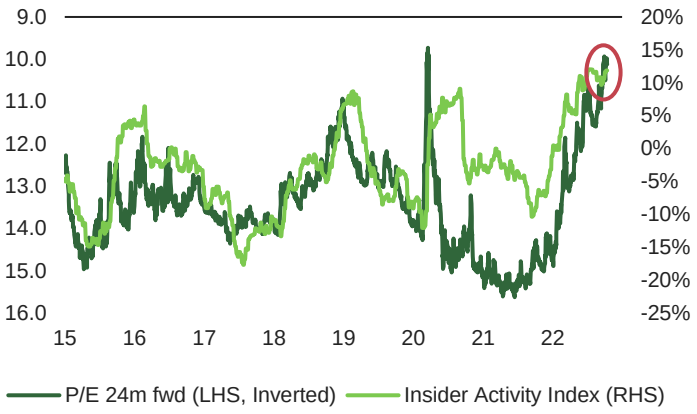
Source: BofA Global Investment Strategy, Sep-22.

Exhibit 9: 24m sector-adjusted P/E discount of European vs. US equities



Source: Goldman Sachs, Factset.

Exhibit 10: European Insider Activity Index (% of companies bought - % companies sold by insiders (Stoxx 600)

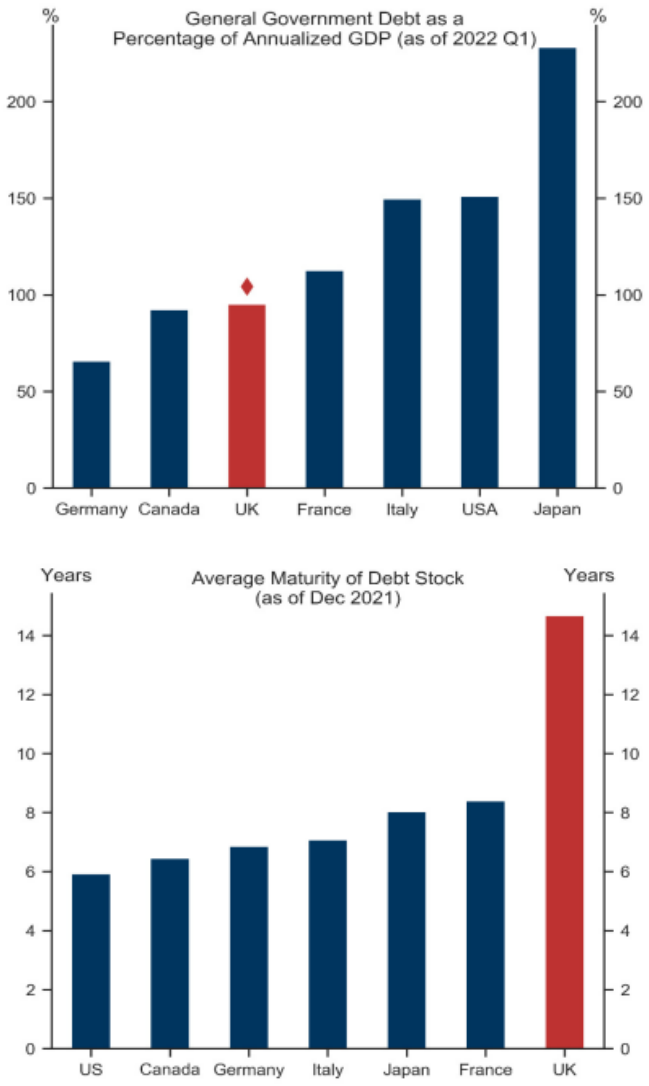


Note: 'Insider Activity Index' = % companies bought minus% companies sold by insiders (STOXX 600).
Source: Goldman Sachs.

The UK Conservative party and Bank of England have had a torrid last few weeks. The now ex-Chancellor Kwasi Kwarteng appeared to let ideology over supply side reform trump any awareness of both the current macro economic and political environment. By pushing the growth agenda, inflation expectations have been lifted along with interest rate expectations. Although the UK's fiscal position is strong relative to other G7 countries both in absolute levels of debt and in the term of the debt there has been a sense that the Bank of England are behind the curve in terms of controlling inflation. This was perhaps exacerbated by an unfortunate chronology of the BOE rates meeting in relation to the mini budget announcement and has led to the UK seeing some large rises in gilt yields and swap rates which has in turn led to issues with pension funds liability matching with leveraged gilt positions.

The UK sector that will suffer short term with rates at this level is clearly the housing market. Our direct exposure to house builders in the fund is low and we discuss Vistry below. The outflows from UK assets has been extreme, with many allocators seemingly considering the UK as 'uninvestable'. These kind of perspectives and emotions create opportunity and we believe the reality is much more balanced with many positive points being overlooked. With the Labour party currently having such a large lead in the polls it allows Sir Keir Starmer to go for the middle ground politically and largely ignore the extreme left and to us, his current policies look much more like New Labour than a government that Jeremy Corbyn would have created. In this context, it is interesting to note that when New Labour were in power from 1997 to 2010 the FTSE 250 TR Index outperformed the MSCI Net World TR Index by 131%. Whilst the current government's policies are likely to be inflationary, they should also help real GDP to be higher than comparable countries. The UK does need supply side reform and the changes that will be implemented by the current Conservative government will be helpful for the next government (probably Labour). Whilst UK domestic equities are priced for extreme pessimism it is interesting that the currency markets are far more sanguine. Indeed, much of the commentary on weak Sterling has been conflated with the US Dollar strength. Trade weighted Sterling this year is off -5.4% and trade weighted Sterling ex US Dollar is down circa -1.7%. This compares to 2008 when trade weighted Sterling fell -24% and in the Brexit vote when it fell -11.5%.

Exhibit 11: UK debt and term compared to G7 countries and anything showing sentiment towards UK



Source: Goldman Sachs Global Investment Research, Haver Analytics and HM Treasury.

With many high quality listed companies trading at record low valuations in Europe and the UK, they feel increasingly vulnerable to the dry powder of private equity, supposedly now over $1tr. What we have seen so far is many of the private equity funds selling at a small uplift from an older vintage fund to a newer one. To us this choice of how to use fresh investor capital looks very questionable and it would not surprise us if Limited Partners start to get litigious. We continue to believe that the private equity set up is challenged which is not reflected in the listed company valuations.

Elsehwere, China is at a different stage of the economic cycle compared to western economies where we feel that its zero Covid policy may be relaxed sooner than what the market is pricing in. In a market drowning in pessimism it does not take much good news to cause meaningful share price responses.

In conclusion, it is clear that the global economy is going through a challenging period. Fortunately, our job is to identify companies that offer an attractive risk return profile rather than to precisely forecast macro economic developments. Given how many high quality companies are now pricing-in an extremely bleak outlook we are spoilt for choice. Exceptionally negative sentiment combined with exceptionally low valuations certainly offers a healthy margin of error and we discuss some of these opportunities below, as well as updating on our key existing positions.

Performance review

Long Book

The long book had a poor quarter, contributing -9.02%, underperforming a falling market and generating negative alpha of -8.13%. Our long book now trades on a medium P/E multiple of c. 8x and a medium EV/EBIT multiple of c. 7x. We believe the book is full of high quality names which can operate well and take market share in this kind of tough operating environment and our conviction levels are very high. Whilst our long book could easily be given the low growth value 'tag' given how low the multiple is relative to the market, actually consensus expected sales growth is significantly higher than the market for both this year (helped to an extent by currency) and next year.

Exhibit 12: Median long book characteristics vs MSCI World

	IAR Longs	MSCI World index
Forward P/E	8.2	14.3
Forward EV/EBIT	7.3	13.0
Forward Price to book	1.3	2.4
Forward EV/sales	0.8	2.0
2022 revenue growth	22%	1%
2023 revenue growth	6%	3%

Source: Brook unaudited internal data and Bloomberg as at 14-Oct-22.

IWG cost the fund -2.20% in Q3-22. As long as the downturn does not turn into a very severe recession then IWG benefits from companies looking for flexible costs through their serviced offices. We expect the company is still seeing positive operating momentum and it was good to see Mark Dixon, the founder and CEO, making a meaningful share purchase at the end of the third quarter. IWG shares are now trading close to the COVID EV/sales low when many of their offices could not even open.

Jet2 cost the fund -1.85% in the quarter. Jet2 issued a positive AGM trading statement in September and trades under 3x EV/EBIT March 2023 (excluding half the customer cash), a very low multiple for a market share winner with a strong balance sheet. Clearly travel operators are not immune to an economic downturn yet the European airline industry is still recovering from COVID issues, which was significantly worse for this sector than any normal recession.

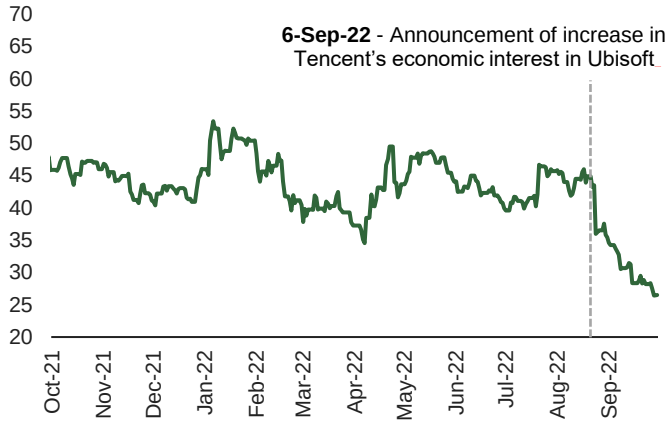
Ubisoft cost the fund -1.32% in the quarter after a transaction which we believe should have been seen as a positive in terms of fair value indication. Industry leader Tencent agreed to acquire Ubisoft shares from the founding Guillemot brothers at an implied €80 a share when the shares were trading at the time at about €44. The transaction gave Tencent another 3% in Ubisoft and the right to buy a further 5%. At the same time, it allowed the Guillemot brothers to de-gear and Tencent also offered them a credit line to buy more Ubisoft shares.

The market took the transaction negatively, seemingly out of frustration at its inability to directly participate in the significant implied premium and in the belief that it might also stop a bid coming in for Ubisoft. While we do not hold the shares due to bid hopes, we do not feel this transaction blocks any future offers for the company. For us the most important takeaways from this transaction was that the industry leader (with a strong record of buying into undervalued IP, e.g. acquiring a 40% stake in Epic games in 2012 for just $330m) has identified Ubisoft as a company it wants to own more of and implicitly one it wants to work more closely with in the future. Tencent is already in collaboration with Ubisoft on game co-development and distribution, so it should have a very good knowledge of the quality of its IP.

We also spent time with Ubisoft in Paris during the quarter and came away with a strong sense that it is on the right track structurally to increase focus and improve risk management in its game development process. The outputs of that should be much improved pipeline monetisation and visibility over the coming years, following the recent investment phase.

Since the announcement of the Tencent transaction, Ubisoft's share price has fallen c.-40% (to a multi-year low level) and we have added to our position.

Exhibit 13: Ubisoft share price | 1-year to 14-Oct-22



Source: MorningStar.

Vistry Group shares fell -29% in Q3 and cost the fund -0.81%. They were hit by rising recessionary fears during the quarter and again by the post budget market dislocation following the quarter end. The shares now trade at 0.6x tangible book value, very similar to trough levels seen in the Global Financial Crisis. In spite of Vistry recently agreeing the purchase of Countryside it is only modestly indebted, and via the Countryside deal it has increased its exposure to Partnership housing, meaning that c.25% of the group end customer base is now exposed to less cyclical buying from Government, Housing Associations and local authorities.

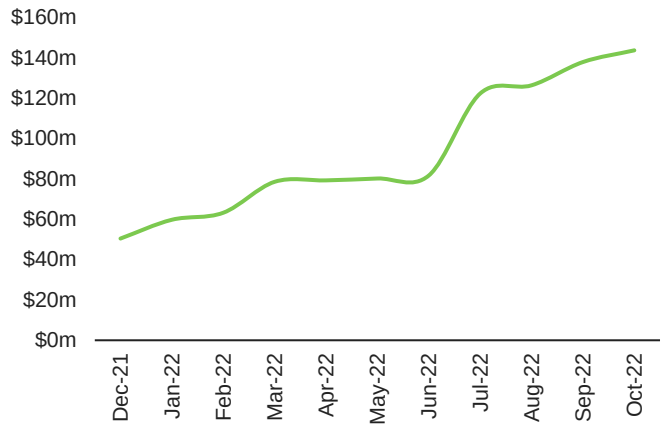
There is little doubt that the gilt market dislocation will have a lasting impact on demand yet that dislocation has already triggered a response from Government and a further response seems likely. Demand destruction at anything like the level of the GFC would be directly opposed to government policies on both growth and housing and would likely trigger a more sustained government response.

As discussed above, European cyclicals were heavily out of favour in Q3-22 despite valuations being at multi year lows. This negatively impacted our long banks exposure as well as **ArcelorMittal** and **BASF**. However, as long as we are confident on the share count of a business not materially increasing, we are happy to assess the business through the cycle and potentially ride out short term volatility. One of the features of this year's sell off, which has been driven in part by indiscriminate index selling, fund redemptions and negative sentiment towards Europe, is that even the highest quality assets in a sector are trading at knock down prices. Whilst it is a constant refrain of ours, it is critical for us in uncertain times to ensure we own companies that can be big relative winners in tougher periods given weaker capacity comes out first. Our long book is littered with such 'last man standing' beneficiaries owing to their cost base, balance sheet, customer offering and quality of management. **Ryanair, Frasers Group, Jet2, IWG, Michael Page, Plus500, Next Group** and **Flutter Entertainment** are just some examples.

Frasers Group contributed +1.16% to the Fund in Q3-22 as the company reported full year results at the top end of expectations and then guided for full year April 2023 profit before tax to be up +38% at the middle of the range. At the end of the quarter the company reiterated its guidance and also moved the binary share price target for their senior management incentive plan from £12 to £15. The shares currently trade at c.£6.41 and on a FCF yield of 13%. The company continues to buy up distressed companies (most recently My Sale) which it then integrates into its world leading infrastructure and offering, dramatically improving the economics.

Plus500 contributed +0.14% in the quarter as it guided profits up again and held a capital markets day. One of the key messages from the capital markets day was that management sees new geographies and products generating an extra $500m of revenues over the next five years. We believe these figures are conservative (unlike the market which is sceptical) and we can already see evidence of the institutional clearing business in the US having had a strong start. On top of being a structural market share winner, Plus500's business is benefitting from: more volatile financial markets, higher interest rates on their cash, increased advertising share as loss making companies pull back and greater customer loyalty from its investment in CRM. The shares trade on a FCF yield to the enterprise for 2022 (stripping out regulatory capital) of c.28%.

Exhibit 14: Plus500 US segregated customer funds ($m)

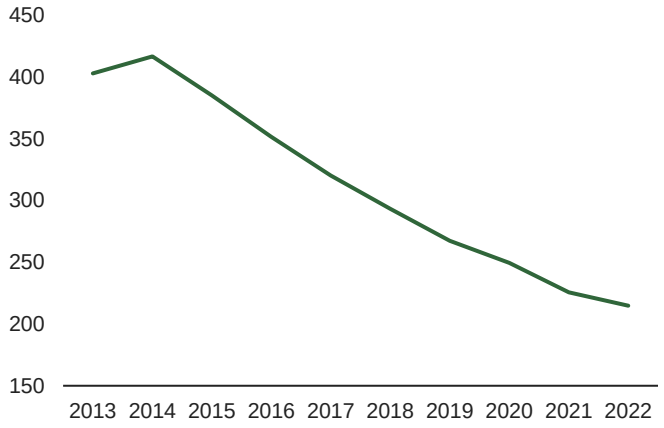


Source: Plus500 as at 17-Oct-22.

Our long commodity exposure did well in Q3-22 (**Glencore, Thungela, BP, Shell** and **Total**) albeit our names still trade on extremely low FCF multiples and are all returning cash back to shareholders. Our oil exposure though has shifted from being

predominately in European oil majors to now predominately oil drillers. **Valaris** contributed +1.15% and **Maersk Drilling** +0.80%. Maersk Drilling and Noble have now completed their merger which is good for further pricing discipline in the drilling sector and we expect more consolidation. Over the past seven years the number of available floating rigs has fallen significantly and the sector has also become more consolidated. Whilst supply has reduced, demand for rigs is dramatically improving and the pickup in reported day rates during the quarter for floating drill ships and forward indications on tender activity are encouraging. The sector has gone from one that was previously concerned with deleveraging to one that is now more focused on cash returns. Valaris and Noble are both moving to net cash and Valaris has also announced a buy back.

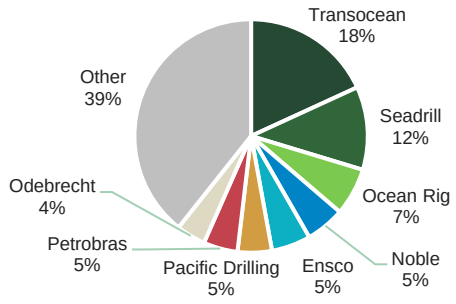
Exhibit 15: Global Semisubermersible and drillship supply (Rig years)



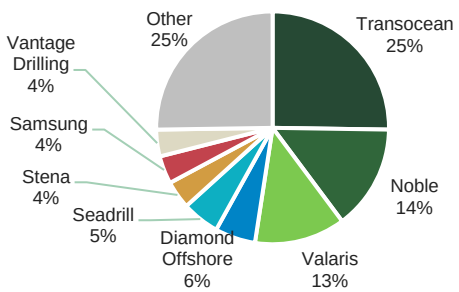
Source: RigBase as at 14-Oct-22.

Exhibit 16: Deepwater rig (>7,500ft) market shares in 2014 vs 2022

2014

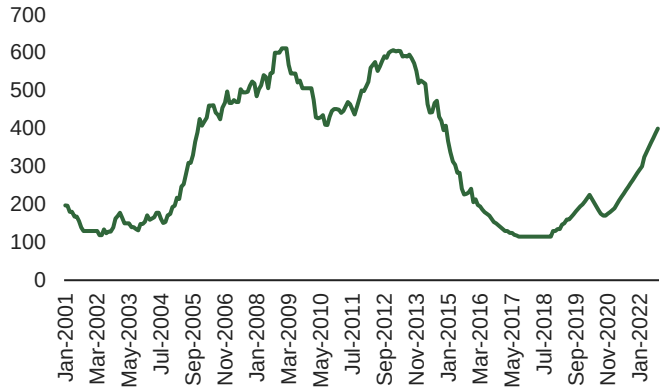


2022



Source: DNB markets.

Exhibit 17: 3 Month rolling average Ultra Deep Water rig day rates (USD 000's)



Source: DNB markets.

More generally, we have spent much time in the last quarter focusing on the refinancing risk for our companies and we are pleased with how the long book is positioned. Our median position has net debt to EBITDA of 0.6x. Also, having analysed long term performance data further we are inclined to make the fund slightly more concentrated in terms of name-count. We are making progress yet given our conviction in our current names it is easier said than done.

Short book

Our short book had another good quarter in terms of both absolute returns (+4.94%) and alpha generation (+7.2%). We discussed our new logistics property short positions in our last quarterly newsletter and they all performed well as rates rose and concerns about the health of their tenants came to the fore. **Segro** contributed +0.95%, **Prologis** +0.61% and **Tritax Big Box** +0.28% in Q3-22. Whilst they have fallen sharply since we put the positions on, the values still do not reflect where rates have moved to. Historically the implied yield of commercial property companies has been in the range of 100-200bps above the 5-year swap rate to reflect a corporate credit spread and cost leakage for opex and capex, minus some kind of real rental growth. At present the implied yields of the logistics property companies trade at about the geographical weighted average 5-year swap rate but with no premium. Applying the historical premium to the implied yields suggests there should be another c.25-40% downside in the shares. At present you can get a real yield of circa 1% on some long duration UK Government inflation linked bonds so the valuation of the logistic companies does not seem rational to us.

AMC Entertainment Holdings added +0.86% in the quarter as some of the heat came out of the meme space. **GXO** Logistics contributed +0.49% as competitor FEDEX warned and reminded the market how cyclical this space can be. **Nvidia** (+0.88%) fell after weak results and new export bans to China will impact some of its chips and our short in the **ARK Innovation ETF proxy** performed well again (+0.78%) despite flows into the ETF remaining remarkably resilient.

Generally, we have been covering our shorts in recent weeks but we have added to the private equity positions, **EQT** and **Partners Group**, and also **Tesla** where market share data in the US is showing that the EV space is becoming increasingly competitive and Tesla's position less dominant.

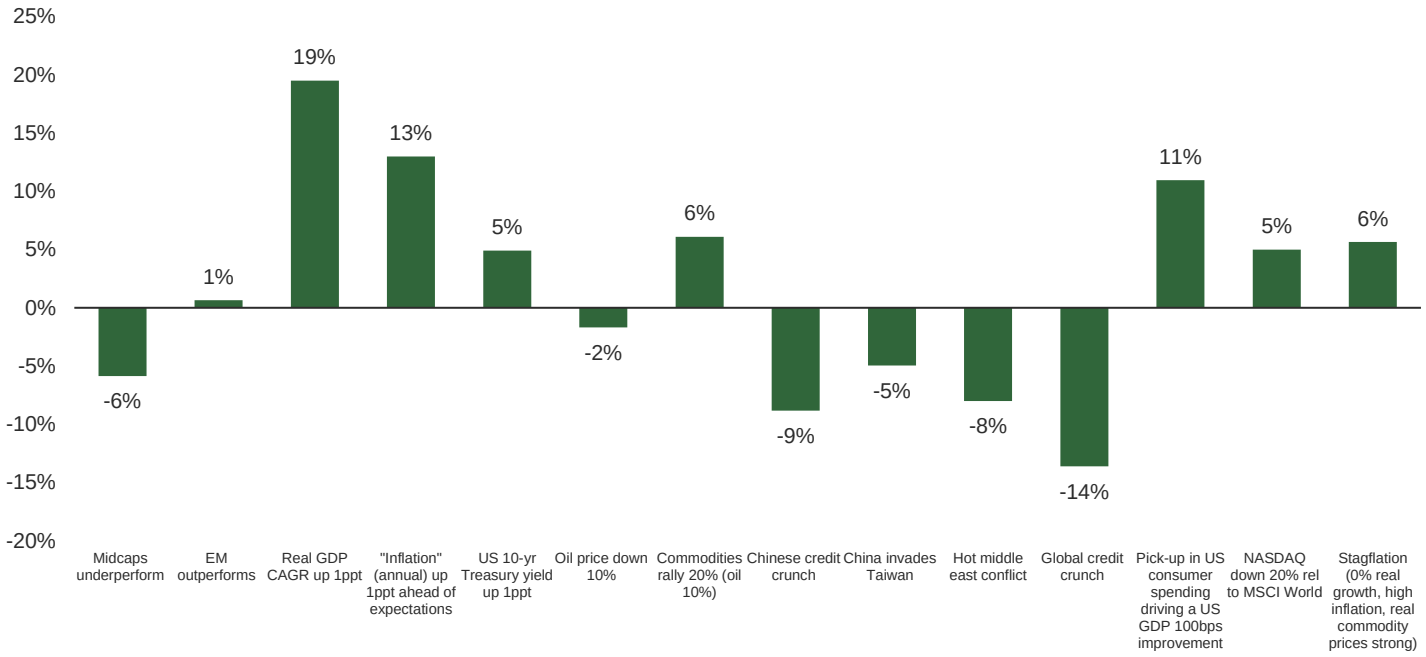
Positioning

To generalise for a fairly idiosyncratic book we continue to have a bias to low multiple, European and UK-listed stocks on the long side and longer duration assets on the short side. The median EV/EBIT and EV/Sales of the long book are 7.3x and 0.8x versus 21.8x and 9.2x in the short book. We have taken both the gross equity exposure and the short book down in recent weeks and are now, at 17-Oct, c. 37% beta adjusted net long (average of total 2 and 6 month net beta adjusted). We are hedged back to sterling on our dollar long positions and unhedged elsewhere.

Conclusion

After a poor run of performance from the long book with generally good operational performance from our companies it has led to our conviction levels in our longs being extremely high. We believe the companies we own can cope well with a tough macro period as consumers and businesses adjust to higher rates. That said we believe a harsh recession is strong consensus and the equity market has already discounted this in many places. We feel the combination of low valuations and weak sentiment is offering us very asymmetrical returns for owning high quality companies we know extremely well. It is encouraging to continue to see our short book performing so strongly (strategy has c. 5% alpha per annum since 11-May-09 inception) but we are also cognisant too that complacency in this space can be dangerous, especially in a bear market. As ever thank you for your support and we look forward to updating you after the full year.

Exhibit 18: Brook Absolute Return (IRL) Fund factor risks



Note: Assumes current currency hedging; The information above is an estimation of the expected factor return; Brook 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.
Source: Brook unaudited internal data as at 15-Oct-22.

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James Hanbury & Jamie Grimston

Brook Absolute Return (IRL) Fund

BROOK ASSET MANAGEMENT

Performance (GBP)

	1-month	3-month	1-year	3-year	YTD	Since inception	CAGR since inc.
Fund	-6.6	-4.7	-13.5	47.1	-9.9	29.4	7.0
MSCI Daily TR Net World	-5.5	2.0	-3.0	26.1	-9.6	45.4	10.3
Relative	-1.2	-6.7	-10.5	21.1	-0.4	-16.1	-3.3

DISCRETE YEARLY PERFORMANCE

1-year to	30 Sep 20	30 Sep 21	30 Sep 22
Fund	14.1	49.1	-13.5
MSCI Daily TR Net World	5.2	23.5	-3.0
Relative	8.9	25.6	-10.5

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	7.4	-10.8	-6.7	12.3	6.3	-11.4	0.0	2.0	-6.6				-9.9
2021	-12.4	19.3	1.5	4.0	3.7	-8.4	-1.5	1.8	9.1	-7.7	-7.9	12.9	10.3
2020	-5.7	-4.2	-12.9	9.5	8.3	2.2	-7.3	14.3	-2.2	4.7	20.4	3.0	28.3
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

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Strategy AUM	$763 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	£

Top ten equities as percentage of NAV

	Notional Exposure
Plus500	9.5%
Frasers Group	7.3%
JET2	7.0%
IWG	6.0%
Glencore	4.5%
Drilling Company of 1972	4.4%
AO World	4.2%
Valaris	4.2%
Shell	4.0%
Ubisoft Entertainment	3.8%

Statistics

	1-year	3-year	Inception
Fund annual s.dev.	29.4	30.0	27.6
Index annual s.dev.	14.2	15.1	14.3
Correlation	0.0	0.4	0.3
Sharpe Ratio	-0.4	0.6	0.4
Information Ratio	-0.3	0.2	-0.1

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 brookam.com. The performance calculation shown is based on the GBP I 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

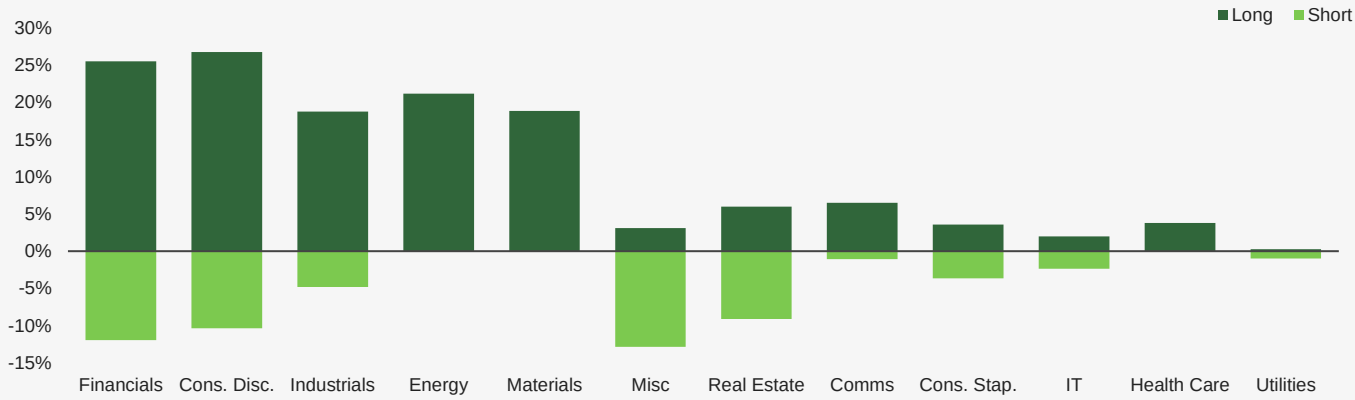
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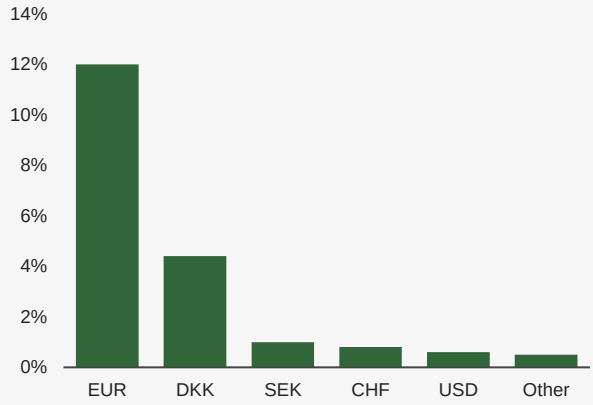
Equity exposure by sector



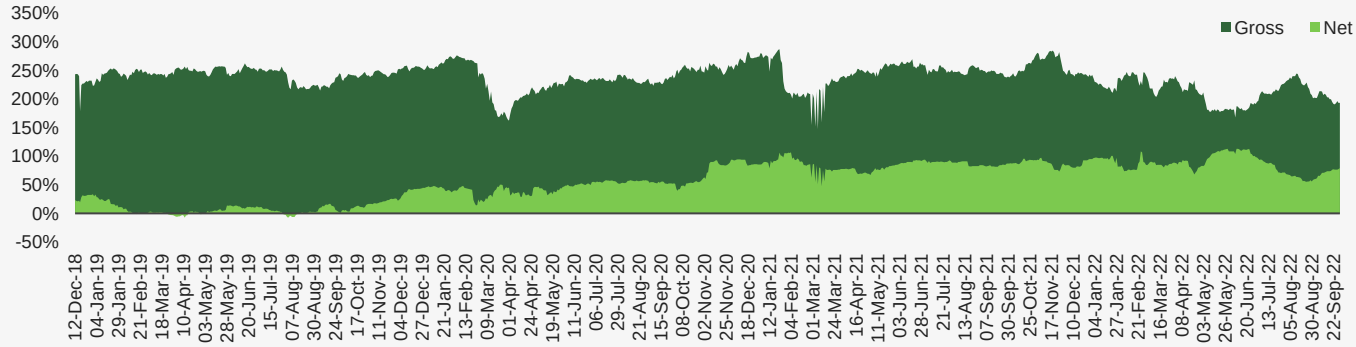
Equity exposure by geography



Non-base currency exposure



Equity exposure



ASSET ALLOCATION AS PERCENTAGE OF NAV

Long Equity	136.3	**Net Equity**	79.1
Short Equity	-57.2	**Gross Equity**	193.5
Foreign Exchange	19.4	**Beta adjusted net exposure (2yr)**	10.2

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. The fund was renamed effective 8 February 2021 from Odey Absolute Return (IRL) Fund to Brook Absolute Return (IRL) Fund. All performance in GBP. Source: All sources, unless otherwise stated, are Brook internal unaudited data and refer to the £ I share class. All data shown as at 30 September 2022. [1]U.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.

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 Brook. 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 (£, €, $).
Share class hedging	Non-base currency share classes are hedged.
Trade date (T)	Daily.
Dealing	By 2pm T-1.
Valuation	Close of business T-1.
Front end fee	Up to 5%.
Annual management fee	I 0.75%, R 1.25%.
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.
Anti-dilution fee	Applies to subs/reds if net subs/reds >5% of NAV.

Minimum investment	I £1,000,000; R £5,000; or equivelant in EUR or USD.
Dividends	Reporting and accumulation share classes available.
Administrator	U.S. Bank Global Fund Services (Ireland) Limited.
Auditor	Deloitte LLP Dublin.
Depositary	J.P. Morgan Bank (Ireland) Plc.
Price reporting	Prices published daily in Financial Times.
ISIN	£I: IE00BF7JHD63, €I: IE00BF7JHG94, $I, IE00BF7JHJ26, £R: IE00BF7JHF87, €R: IE00BF7JHH02, $R, IE00BF7JHK31.
SEDOL	£I: BF7JHD6, €I: BF7JHG9, $I, BF7JHJ2, £R: BF7JHF8, €R: BF7JHH0, $R, BF7JHK3.

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 relevant fund 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 Brook 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.

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

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 asets 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.