Odey Absolute Return Focus Fund

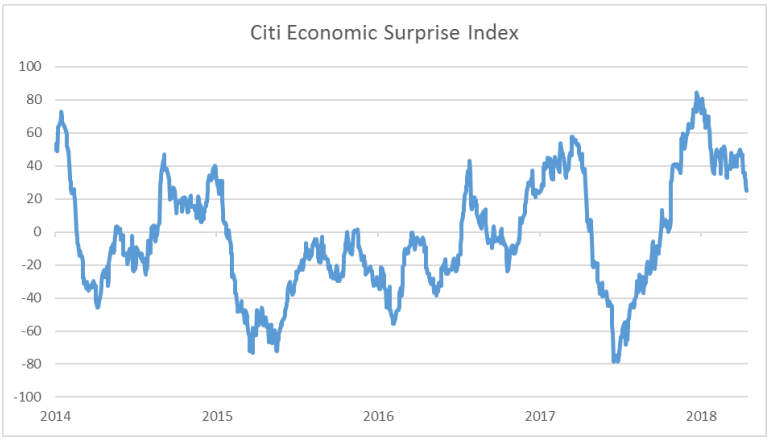
ODEY
ASSET MANAGEMENT

Fund Manager Report

The fund had a satisfactory quarter being +0.62% with the market -4.88%. Returns came from positive performance on our short book more than offsetting the negative performance on our long book. Both our long and short book generated alpha with the fund c. +15% beta adjusted net long across the period.

Markets fell in the quarter driven by rising equity risk premiums. This felt appropriate given the rise in visible risks with regards to trade wars, Middle East tension, and cyclical indicators cooling.

Figure 1



Source: Citi, Bloomberg

Unusually for a modern politician, Donald Trump has been true to his word on what issues he would tackle. Now that he has got tax changes through Congress, filtered out any non-conformist staff, laid out his tariffs, and picked up dramatically in the polls with mid-terms coming up, he has the bit between his teeth, which makes him even more confident and unpredictable. Ultimately I believe Trump cares too much about the stock market to push tariffs much harder, but we may well find out that he is a successful negotiator after all. That said, he may get a shock when he fully digests that the stock market is not always linked to strong economic data.



Source: Twitter

Performance

-1.0% Monthly performance

0.6% Year-to-date performance

-4.9% CAGR since inception

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

Fund details[1]

£ I Class	84.89
£ A Class	90.43
$ I Class	86.12
$ A Class	94.51
€ I Class	84.35
Fund Size	£51 million
Strategy AUM	$1,286 million
Fund Inception	30 Nov 2015
Class Inception	30 Nov 2015
Fund Type	Irish ICAV QIAIF

Fund Managers

James Hanbury

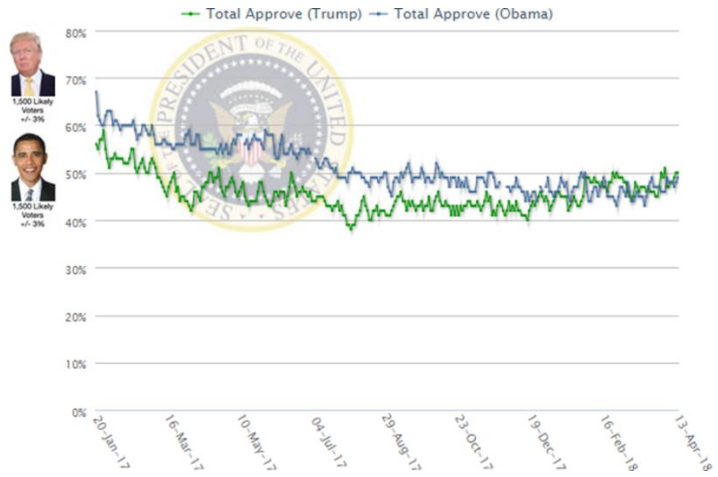
Adrian Courtenay

Jamie Grimston

For full bios visit odey.com

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ A share class. All data shown as at 29 March 2018. [1]Quintillion Ltd and Bloomberg, calculation on a NAV basis with net income reinvested.

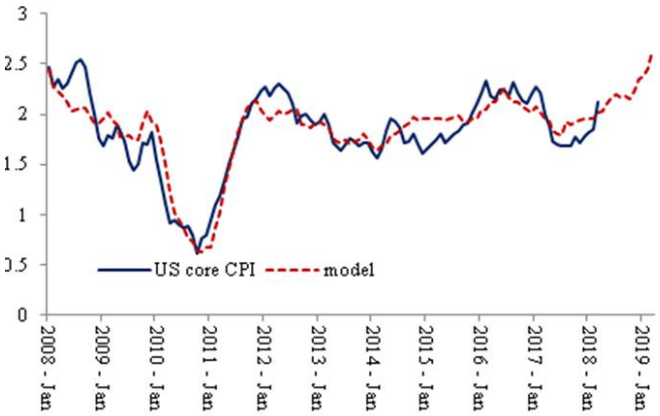
Figure 2: Polling of Trump versus Obama



Source: www.rasmussenreports.com

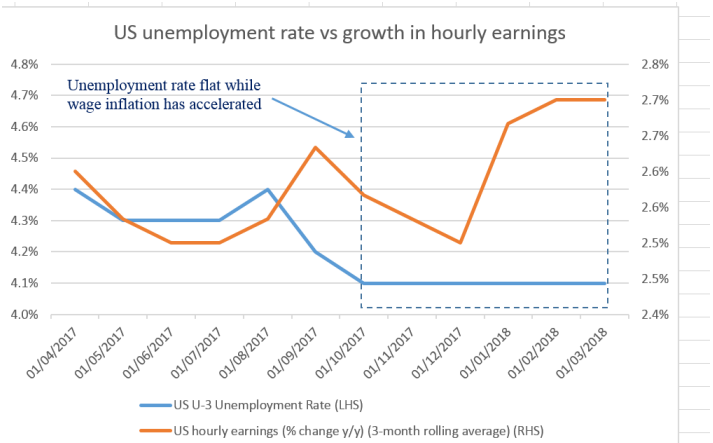
Despite rising risks, our base case is still that global growth is strong in 2018, but with very different results for inflation and central bank policy compared to 2017. Core CPI in America is rising again as one would expect from a country with a positive output gap. Equally the unemployment rate has been totally static now in the US for 6 months while wage inflation has trended up, implying that, despite scepticism, the Phillips curve is still alive.

Figure 3: Unemployment and Inflation



Source: Haver Analystics

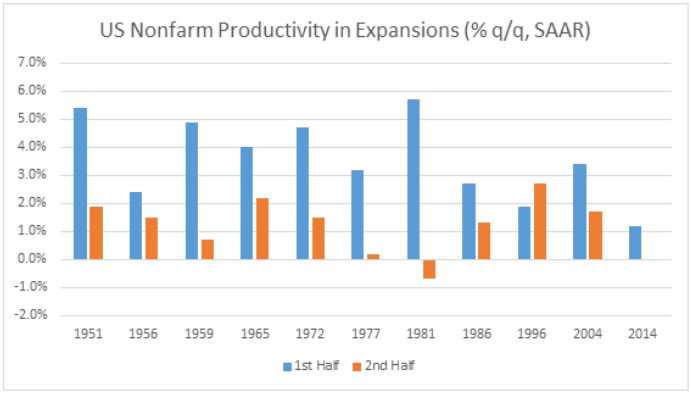
Figure 4



Source: Bloomberg, Bureau of Labor Statics

With higher expectations for inflation than consensus, and given the current high level of corporate margins and valuations, we are not generally constructive on equity markets as we do not believe that productivity will improve materially this cycle. As the charts below shows, it is extremely rare for productivity to accelerate in the second part of the cycle due to a diminishing supply of skilled labour generally more than offsetting a pick-up in capital spending.

Figure 5



Source: JP Morgan

In the UK, Brexit talks are progressing better than many expected and the probability of a Labour government winning the most seats at the next election (which is not until 2022) has fallen from 55% a few months ago to 45% (Betfair odds). Lloyd Blankfein, the CEO of Goldman Sachs, was another prominent figure to make positive comments on the UK: 'The UK economy has surprised to the upside, it's slower than Europe but not by much'. Comments like these sit alongside the Bank of England and the Office of Budget Responsibility increasing their expectations for UK GDP over the next few years. The UK economy, being relatively open and 'high beta', has benefited from the current strong global growth and particularly a healthier Eurozone. With regards to where we are relative to many pessimistic predictions, it has been a case of 'so far, so good'. Meanwhile many UK domestics are materially discounted relative to other markets, and still hold an 'uninvestable' status. There are examples in the portfolio where we feel we are taking advantage of this.

Performance was largely driven by good performance on the short book, which generated +6.73% and more than offset returns of -5.57% on our long book, which was hedged back into sterling (+0.23%). Although we would have liked to have seen more in the quarter, much of our positive performance came from an unwind in the negative alpha we saw in Q4'17 (Weatherford, Walmart, Plus500 etc).

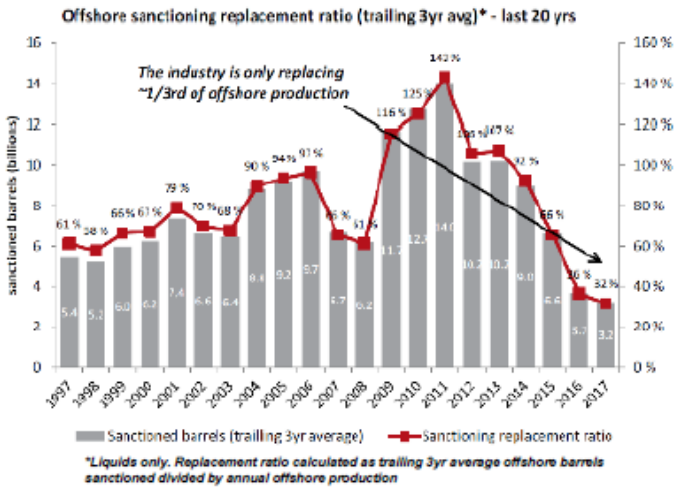
Our top contributor (+6.68%) was our largest position, **Plus500**. It reported a trading update and results that positively surprised the market in terms of customers added and ARPU generated. Alongside this, we got clarity in the first quarter on the ESMA regulation that will probably be implemented during Q2'18. We continue to believe that appropriate regulation is a good thing in this sector, both for consumers and the stronger companies. In a year where much of the sector struggled, it was good to see Plus500 grow its EPS by 72% and return $200m to shareholders. It was particularly pleasing to see the company pay a larger dividend for 2017 than the entire company was valued at the IPO in June 2013. We see results being materially ahead of market

expectations on a forward looking basis, and feel that the EV/EBIT multiple of less than 5x for 2018 is inappropriately low.

A large detractor on the long side was **Viasat**, which cost the fund -1.74%. This traded down in the quarter after the company disclosed that there had been antenna deployment issues on the recently launched Viasat 2. Whilst this is frustrating and most likely takes off c. 10% of Viasat 2 capacity we continue to have high conviction in the long case given that we believe the market is pricing in materially lower revenues for future capacity than will be achieved.

Our long offshore driller positions were negative contributors in the quarter, with **Rowan** costing -2.48% and **Transocean** -0.23%. That said, much of this was due to the oil price and increased backwardation of the curve. We purposely did not take on much oil price factor risk in the portfolio, and when we look at our 'oil positions' as a whole the loss in the quarter was small (-0.19%). Our short on **Weatherford** (an oil services company), and short oil index and commodity futures contributed +2.14% in aggregate. The offshore drillers as a whole are the most financially and operationally leveraged stocks in the sector and we believe sentiment is the weakest in offshore production. Nevertheless, our conviction in the investments has increased during the quarter. The number of contracts being signed, and the number of future contract opportunities continues to grow. The acquisition of Paragon Offshore by Borr Drilling should on its own lead to retirement of 5% of the jack-up fleet. Both demand and supply are moving in our favour. There is a long way to go to restore full pricing power, but the stocks are currently discounting little more than breakeven pricing. When we look at the reserve replacement of the major oil companies, it is clear that last couple of years has been about preserving cash not increasing reserves, which is unsustainable.

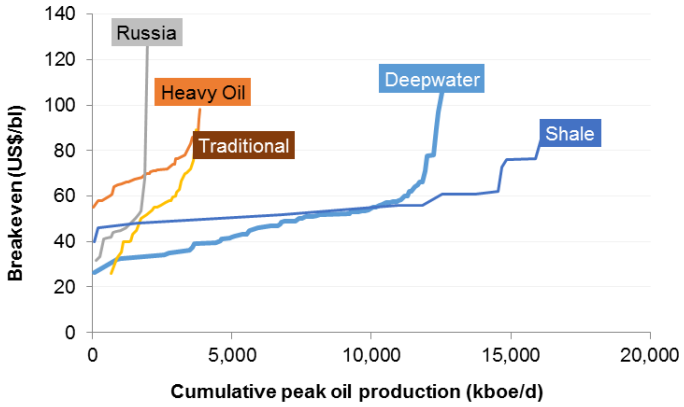
Figure 6



Source: Transocean

One investment myth that continues to be widely believed is that there is no future for offshore oil exploration and production as the US shale industry will now meet global consumption growth requirements. We see little support for this. The chart below shows that more than 50% of deep water projects are now cost advantaged versus US shale.

Figure 7

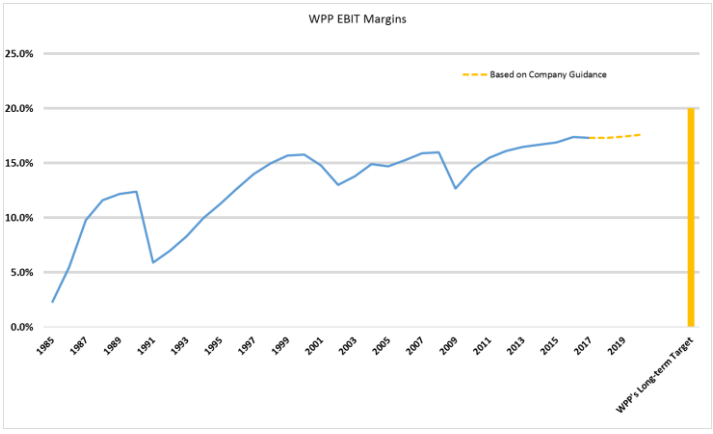


Source: Goldman Sachs

Final Investment Decisions on new offshore projects are expected to triple by 2019. That, in turn, implies substantially higher capacity utilisation and pricing in offshore drilling equipment. We added to Rowan during the quarter.

Our 'old world media' shorts, **WPP** and **Nielsen**, contributed well during the quarter: +0.83% and +0.65% respectively. One of the issues we have with this sector is that despite facing many structural challenges to their business models, there continues to be a focus on trying to grow profit margins alongside balance sheets that are inappropriately leveraged. WPP's business challenges have been well publicised yet it is still targeting growth in margins per annum from already record high levels. We don't think this makes sense either in terms of trying to retain talent in a world when new capacity is coming in, or in trying to win business where its customers are increasingly questioning the value of the service it offers. Maybe management change will be the catalyst that rebases margins.

Figure 8



Source: WPP

Walmart was another short that contributed positively for us in the quarter, adding +0.56%. The company disappointed the market after the 4th quarter with a dramatic slowdown in its online business, which only grew by 23% in the US, despite some help from acquisitions. Interestingly, this was less than the Amazon US growth rate (despite being less than a 10th of its size). Walmart has guided for 40% growth this year but with no indication of how

much is organic. Group margins were also below consensus. We continue to feel that the market is underestimating the margin pressure that Walmart will suffer in order to compete effectively today. We thought the following quote from Lord Wolfson at Next PLC was a useful reminder of how difficult it is for an incumbent bricks and mortar retailer to move sales online.

'Looking at last year's numbers it appears that every Pound of full price sales lost in Retail cost us 60p whilst every Pound gained Online delivered only 19p of profit. This margin erosion is partly a result of the shift in sales from Retail to Online. Retail carries large fixed costs (such as rent, rates and energy) which in the short term, are unable to contract with reducing sales. On the other hand, the Online business has significant variable costs which increase with sales (delivery, warehouse picking, returns processing, call centre activity etc.). '

Takeda's interest in acquiring **Shire**, a top long position in the fund, was announced at the end of March. Whether or not a deal is consummated, it is encouraging to see industry validation of Shire's under-valuation. Takeda has until 25th of April to make a formal offer. There is a chance of an interloper bid given high available synergies and Shire's c.30% valuation discount to the sector. Post a divestment announced on 16th April, Shire will be in a position to buy back 7% of its market cap in 2018 should Takeda not make a formal offer.

Softbank, which cost the fund -1.26%, de-rated further relative to Alibaba. There has been no change to our fundamental view, and it continues to be a top holding.

Playtech cost the fund -0.90% during the quarter as current trading disappointed; we felt this was an overreaction and added to our position. Early in Q2 the company has announced the acquisition of Snaitech, the second-largest land-based gaming operator in Italy. We see this acquisition as making good strategic sense and despite the muted share price response we believe it could be as much as 30% EPS accretive.

Vivendi was another long that cost us performance in the quarter, -0.59%. The market was likely disappointed at the deceleration in streaming revenue growth at Universal Music Group ["UMG"] in Q4'17 and the lack of guidance for 2018. Whilst we would have liked a slightly higher figure for Q4'17 streaming revenue growth, this was only a quarterly figure and it appears also to have included a few one-off impacts. With Spotify now trading on the NYSE at a valuation of around Eur 18bn, we think the market is taking a stance that it will be able meaningfully to capture further gross margin from the record labels. Whilst visibility into the ultimate distribution of value among the various players in music streaming remains low, we think the high and growing level of competition among streaming distributors like Spotify should limit their individual negotiating leverage versus the more consolidated record labels like UMG. Our view is apparently shared by Vivendi Chairman Vincent Bollore, whose family holding company has purchased more than Eur 500m of Vivendi shares since the beginning of March 2018.

The fund continues to be broadly market-neutral, and hedged back to sterling with c.60% of the risk being non-systematic.

—

James Hanbury

ODEY ABSOLUTE RETURN FOCUS FUND

ODEY ASSET MANAGEMENT

Performance

	1-month	3-month	1-year	YTD	Since inception	CAGR since inc.
Fund	-1.0	0.6	5.7	0.6	-9.6	-4.9
MSCI Daily TR Net World	-4.0	-4.9	1.2	-4.9	33.5	15.6
Relative	3.0	5.5	4.6	5.5	-43.1	-20.5

DISCRETE YEARLY PERFORMANCE

1-year to	31 Mar 17	29 Mar 18
Fund	-14.5	5.7
MSCI Daily TR Net World	31.9	1.2
Relative	-46.4	4.6

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.9	0.7	-1.0										0.6
2017	0.4	-3.8	-0.5	3.1	2.9	0.4	-1.4	9.9	-0.7	1.5	-3.0	-6.9	0.9
2016				-3.1	4.3	3.1	-1.4	-0.6	-1.2	-6.9	0.6	-5.8	-11.0

Fund details[1]

£ I Class	84.89
£ A Class	90.43
$ I Class	86.12
$ A Class	94.51
€ I Class	84.35
Fund Size	£51 million
Strategy AUM	$1,286 million
Fund Inception	30 Nov 2015
Class Inception	30 Nov 2015
Fund Type	Irish ICAV QIAIF
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	22.2 %
IG Group Holdings	Short	-12.8 %
SHIRE	Long	10.3 %
ViaSat	Long	9.9 %
SoftBank	Long	9.0 %
Sports Direct	Long	8.8 %
Vivendi	Long	8.3 %
Philips Lighting	Long	7.7 %
Rowan Companies	Long	6.9 %
Liberty Media Corp-Liberty Formula One	Long	6.8 %

Statistics

	1-year	Inception
Fund annual s.dev.	13.2	13.9
Index annual s.dev.	5.3	8.0
Alpha	0.4	-0.5
Beta	0.5	0.0
Correlation	0.2	0.0
Sharpe Ratio	0.5	-0.5
Information Ratio	0.1	-1.4
Tracking Error	13.2	17.3

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, 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

FUND MANAGERS

James Hanbury
Adrian Courtenay
Jamie Grimston

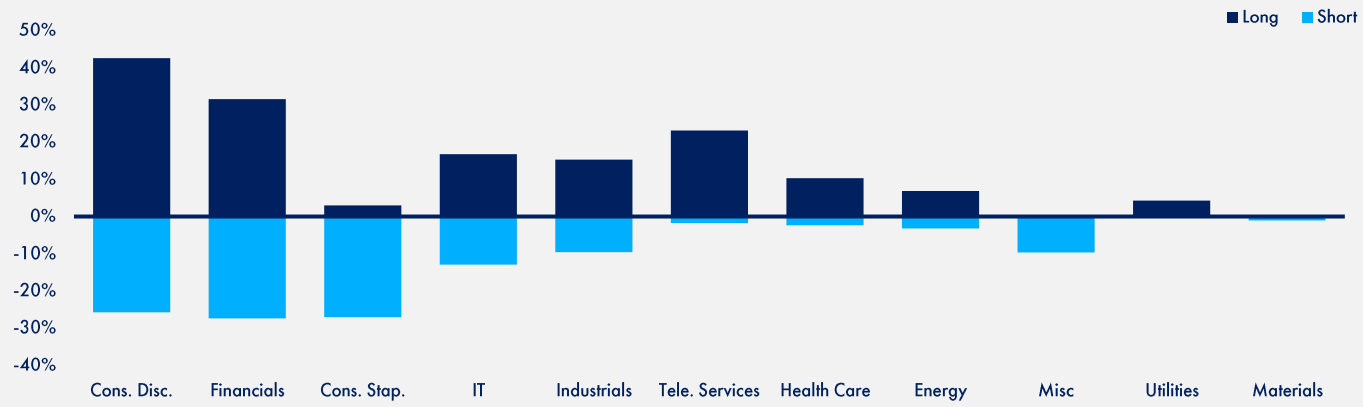
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ENQUIRIES

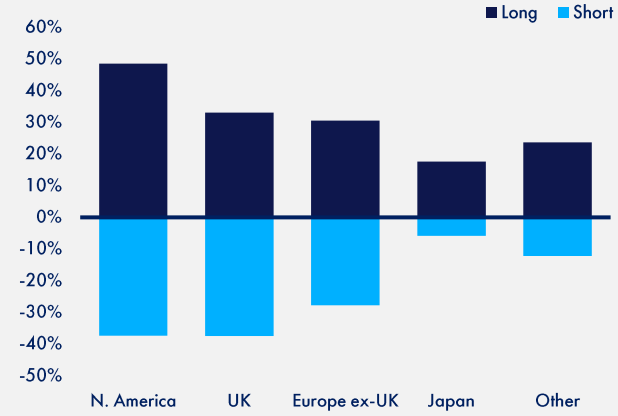
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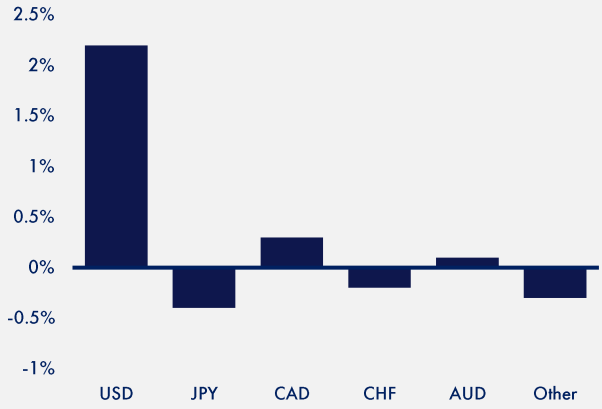
Equity exposure by sector



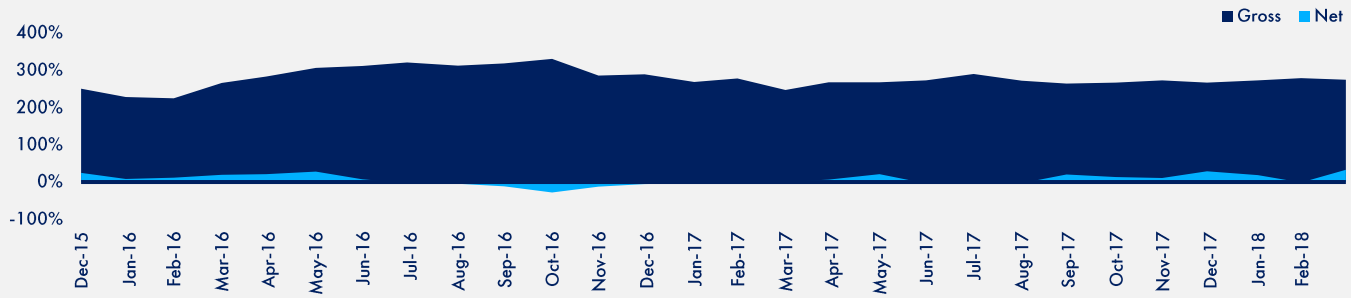
Equity exposure by geography



Non-base currency exposure



Equity exposure



ASSET ALLOCATION AS PERCENTAGE OF NAV

Long equity	153.6	**Net equity**	32.8
Short equity	-120.8	**Gross equity**	274.4

Note: Equity exposure includes all equity related instruments. Currency exposure shows non-base currency through forward currency contracts and portfolio holdings. Past performance is net of fees and other charges. Commentary is provided on a quarterly basis. Equity exposure as classified by GICS.
Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ A share class. All data shown as at 29 March 2018. [1]Quintillion Ltd. and Bloomberg, calculation on a NAV basis with net income reinvested.

Investment objective and policy

The Odey Absolute Return Focus Fund ('The Fund') aims to achieve long-term capital appreciation and a positive absolute return on a 12 month rolling basis independent of market conditions. Capital is at risk and there is no guarantee that a positive return will be delivered over any one or a number of 12 month periods. The fund will seek to achieve its investment objective by investing in, or taking exposures, using both long and short positions to a range of asset classes worldwide. The Fund will primarily invest in equity and equity-related securities.

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 (€, £, $)[2], A, B, C (€, £, $)	**Minimum investment**	£1,000,000 or equivalent in $ & €
Share class hedging	Non-base currency share classes are hedged	**Dividends**	Income accumulated and reinvested on behalf of shareholders
Trade date (T)	1st of month	**Administrator**	Quintillion Ltd.
Valuation	Close of business T-1	**Depositary**	SMT Trustees (Ireland) Limited
Front end fee	Up to 5%	**Auditor**	Deloitte & Touche, Ireland
Annual management fee	I & C 0.75%, A 1.25%, B 1.00%	**Price reporting**	Prices published in Financial Times
Performance fee basis	I & A 20%, B 18%, C 15% of the increase in the value per share of the Fund between the beginning and the end of the year or end of lock up period. Fees crystallise annually (31-Dec) or at the end of the lock up period. Losses carried forward.	**ISIN**	£I IE00BYQ96119[2], $ I IE00BYQ96226[2], €I IE00BYQ96002[2], £A IE00BD2MF988, €A IE00BD2MF871, $A IE00BD2MFB05, £B IE00BD2MFD29, €B IE00BD2MFC12, $B IE00BD2MFF43, £C IE00BD2MFH66, €C IE00BD2MFG59, $C IE00BD2MFJ80
Anti-dilution fee	On all orders	**SEDOL**	£I BYQ9611[2], $I BYQ96222[2], €I BYQ96002[2], £A BD2MF98, €A BD2MF87, $A BD2MFB0, £B BD2MFD2, €B BD2MFC1, $B BD2MFF4, £C BD2MFH6, €C B D2MFG5, $C BD2MFJ8
Exit fee	Up to 5% if outside redemption period (A 1-month, B 1-year, C 3-year)		

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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Note: [2]I share class is closed to further investment.

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: Odey Absolute Return Focus Fund.

Global Industry Classification Standard (GICS): A standardised 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 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.