FOR PROFESSIONAL INVESTORS AND ADVISORS ONLY

ODEY ALLEGRA EUROPEAN FUND

ODEY ASSET MANAGEMENT

REPORT FOR SEPTEMBER-16

- **In September-16 the Fund returned –0.1% against the MSCI Daily TR Net Europe return of –0.1%.**
- **Positive performance from our holdings primarily in the Telecommunication Services (+0.3%) and Health Care (+0.3%) sectors; were offset by negative returns predominantly from the Real Estate (-0.8%) and Energy (-0.1%) sectors.**
- **Individual best performers were TDC (+0.3%), Industria de Diseno Textil (+0.2%) and Merck (+0.1%); the worst were Grand City Properties (-0.5%), Deutsche Wohnen (-0.2%) and Heineken (-0.1%).**

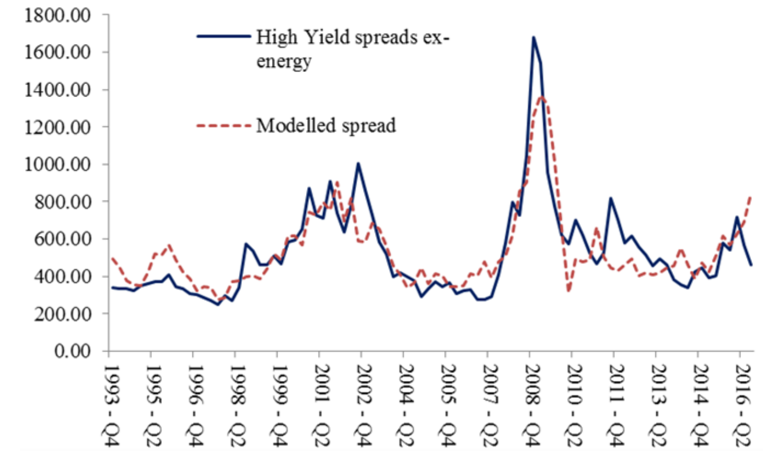
MANAGER'S REPORT

Over the quarter the market has recaptured most of its post Brexit losses, posting a c.+4% gain through the period. This move upwards has primarily been driven by industrial cyclicals and low quality financials, areas largely absent from our portfolio, where our focus is on high conviction special situations. This accounts for the Fund's underperformance for the quarter. The broader implications for Europe from the UK's decision to leave, have thus far been relegated to tomorrow's list of worries, with only sterling signalling that perhaps something is awry.

That the pound is nearing 40 year lows against the dollar is possibly the first signs of fissure in the narrative of central bank hegemony. Central bankers, once portrayed as heroes of the piece, are increasingly seeing the tide of sentiment shift away from them. Political rhetoric on both sides of the Atlantic highlights the growing dissatisfaction with the great monetary experiment. It is now observable that ever-lower interest rates cause more harm than good to both the economy and to the financial system. QE has moved from perceived panacea to economic pariah. This is likely to have implications for bond markets. Gilts look vulnerable from this point.

Arguably the most important shift over the quarter has been this change in stance towards the direction of monetary policy. The journey of ever-lower bond yields looks to have reached its termination. The implications of this are far reaching. In the absence of earnings growth, the rise in equity indices observed over the last few years owes its provenance entirely to re-rating in tandem with bond markets. The hunt for yield has pushed credit spreads to extremely tight levels. Whilst there is unlikely to be a massive back up in yields, global growth is much too weak for that; nonetheless a change in the direction of travel is likely to bring a change in the wind for asset prices.

1) Credit spreads are exceptionally tight: they are likely to widen if bond yields rise

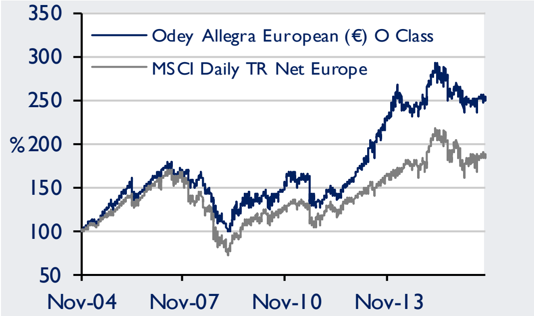


Source: Haver Analytics

FUND DATA — 30-Sep-2016

€ O Class	249.88	**€ A Class**	150.30
€ AI Class	152.05	**€ BI Class**	108.10
€ BR Class	105.41	**£ D Class**	186.66
€ I Class	237.07	**$ O Class**	215.94
$ BI Class	85.91	**£ O Class**	309.96
Fund Size (€m)			53.40
Inception Date			15-Nov-04
Index			MSCI Daily TR Net Europe

PERFORMANCE — Since Inception



Source for above table and chart: RBC & Bloomberg. Calculation on a NAV basis with net income reinvested as at 30-Sep-16. Past performance is not an indicator of future results and is shown net of fees and other charges. The data below refers to the € O share class.

PERFORMANCE (%) — 30-Sep-2016

€	Fund	MSCI Daily TR Net Europe	Rel.
1-month	-0.1	-0.1	0.0
3-month	0.8	4.3	-3.5
1-year	-2.3	1.8	-4.1
3-year	14.4	18.4	-4.0
5-year	94.4	71.4	23.0
YTD	-5.6	-3.3	-2.2
1yr to 30-Sep-2016	-2.3	1.8	-4.1
1yr to 30-Sep-2015	4.2	2.6	1.7
1yr to 30-Sep-2014	12.4	13.4	-1.0
1yr to 30-Sep-2013	42.4	18.0	24.3
1yr to 28-Sep-2012	19.4	22.7	-3.3
Since Inception	149.9	86.0	63.9
CAGR since inception	8.0	5.4	2.7

STATISTICS — 30-Sep-2016

	1-year	3-year	5-year	Inc.
Fund annual s.dev.	6.7	10.8	10.6	13.9
Index annual s.dev.	13.8	12.7	12.5	14.8
Alpha	-0.3	0.1	0.5	0.3
Beta	0.4	0.7	0.7	0.8
Correlation	0.8	0.8	0.8	0.9
Sharpe Ratio	-0.3	0.5	1.3	0.5
Fund Info Ratio	-0.4	-0.1	0.4	0.3
Fund Tracking error	9.7	8.4	8.0	7.9
Treynor	-5.7	7.1	21.5	8.0

ASSET ALLOCATION — 30-Sep-2016

	% Nav
Equity	91.3
Commodity	7.9
Cash	0.9

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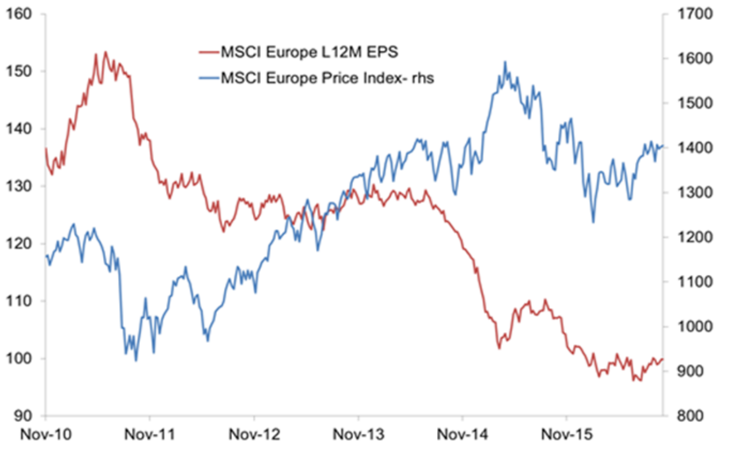
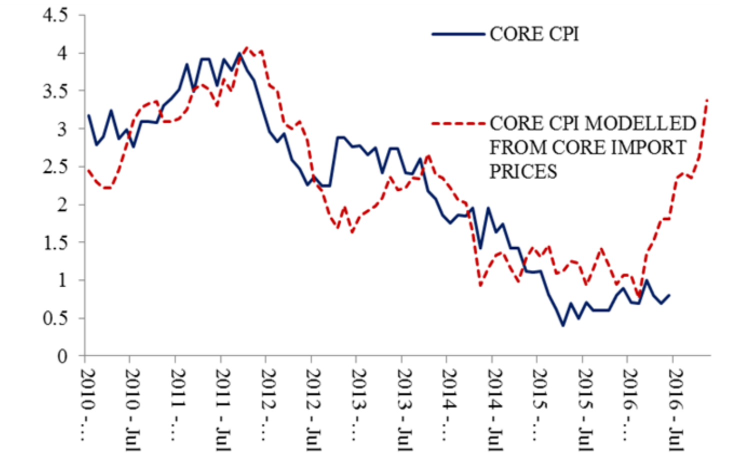
2) In the absence of earnings growth equities have re-rated in sympathy with bond markets



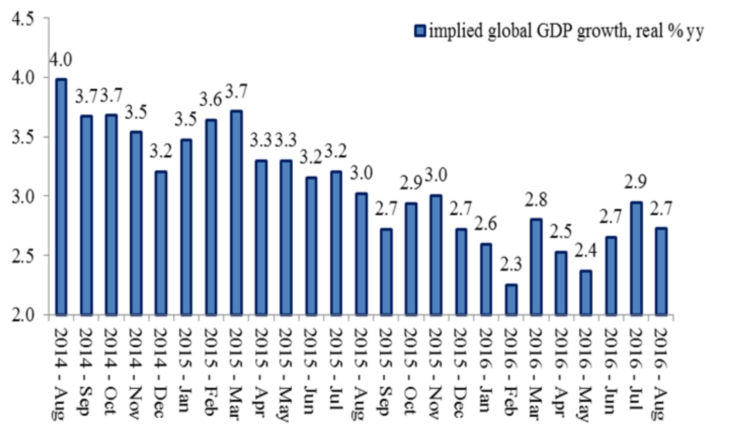
Source: Morgan Stanley

3) UK inflation is likely to rise sharply: gilt yields look too low



Source: Haver Analytics

4) Global growth remains lacklustre



Source: Haver Analytics

Against this transient policy backdrop and lacklustre global GDP outlook, there is much to excite at the micro level of stock picking. Under the bonnet of the index, a wave of M&A has started to sweep the continent, as management teams remedy the realisation of low economic activity with the cure of growth through consolidation. Industry consolidation has long been a key theme for us as a way of addressing chronic overcapacity at the global level. However, with funding windows at record lows, and unlikely to remain so for long, corporate activity has picked up dramatically in 2016. And with it comes the possibility of synergic acquisitions and portfolio transformation. Our summer has been spent picking through many of the recent deals, sorting the sweet from the sour and building conviction in some new areas of the portfolio.

I have just returned from the Merck KGA investor day in Damstadt in Germany. That I was one of the few buy side analysts at the day suggests we are early to this story. Merck is the largest position in the Fund and embodies a company where portfolio transformation is writ large. Merck has three divisions: life sciences, performance materials and pharmaceuticals. Acquisitions over the last five years in both life sciences and performance materials has taken this conglomerate from a slumbering behemoth to a company at the cutting edge of both biotech and semiconductor production. The perception of a failed pharmaceutical company with exposure to TV, is very much yesterday's vestige. Since the acquisition of the US listed life science leader, Sigma-Aldrich, in 2015, Merck's bio-process business has been in beat and raise mode. Indeed at the capital markets day management announced yet a further upgrade to synergy and revenue targets for this division. In performance materials, the labours of the TV market in 2016 have obfuscated the success of their acquisition of AZ Electronics, a business that was listed briefly in London and that we knew well. This now accounts for over 25% of profits for that division and is growing fast as the trends for more substrates in semiconductor manufacture processes adds favour to their revenues and margins. Finally in pharma, whilst the crystal ball of pipeline gazing is suitably fat tail, the revelation from the capital markets day was that management's forecasts for their pipeline on a risk adjusted basis at €2bn is over double that assumed by the sell side, suggesting there is plenty of scope for upward surprise over the course of the coming year. 14x earnings is just not much to pay for a company where 40% of earnings see direct Nasdaq listed competitors trading on 25x and where 2017 will bring multiple indications for their pharmaceutical pipeline. Merck KGA is our highest conviction position.

The theme of upside from M&A is the central driver to two recent additions in the portfolio: Danish logistics company DSV and GVC, the UK's online betting company. In both cases, material acquisitions achieved over the course of 2016 have led to significant rises in profit guidance and revenue performance. For both names the potential synergies are not yet fully appreciated. We believe this is where money will be made from here, in harnessing those special situations where restructuring or corporate activity can reframe the earnings power of the company at a time when growth and value more broadly are in scarce supply. Our portfolio is full of these types of carefully researched special situations, hence our optimism for the Fund.

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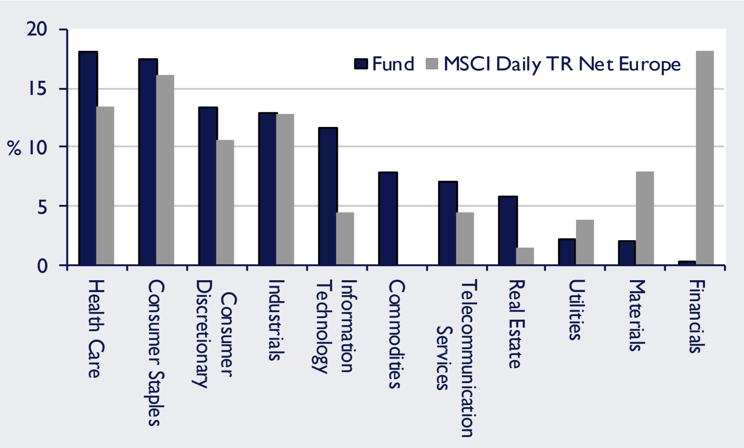
Attribution, Allocation & Holdings Report

ODEY
ASSET MANAGEMENT

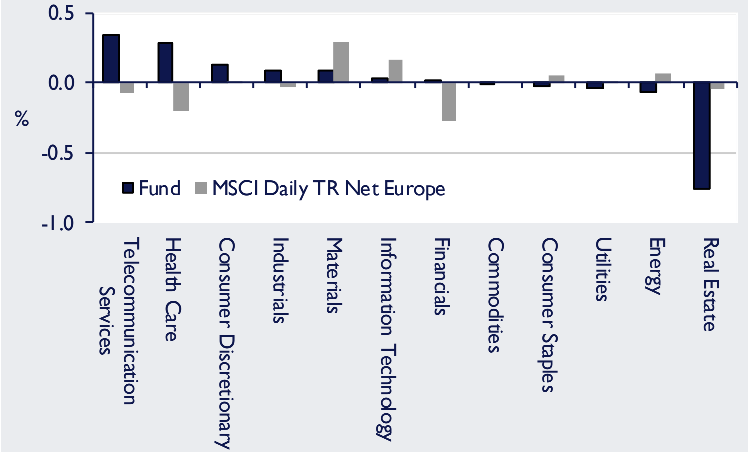
Allocation by Sector

30-Sep-16



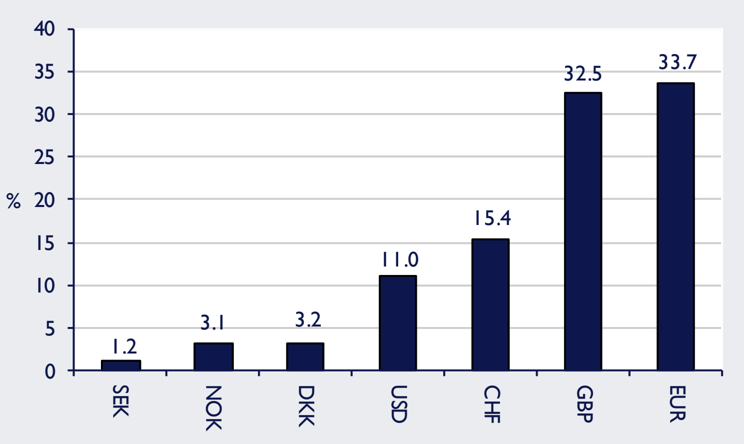
Attribution by Sector

30-Sep-16



Currency Exposure

30-Sep-16



Currency exposure relates to exposure of all assets held by the Fund, including any forward currency positions.

Top 10 Holdings

30-Sep-16

Rank	Security	Notional Exposure (%)
1	Merck	7.3
2	TDC	7.1
3	Gold Bullion Securities	7.1
4	Industria de Diseno Textil	5.1
5	DSV	4.8
6	Facebook	4.4
7	GVC	4.1
8	Heineken	3.9
9	Orkla	3.1
10	Lam Research	3.0

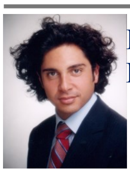
Sources

All sources unless otherwise stated are Odey internal unaudited data and refer to the € O share class. All data shown is as at 30-Sep-2016, however, the attribution by sector chart is for the month ending 30-Sep-2016.

Investment Objective

The investment objective is to achieve long term capital appreciation through investing predominantly in European equity and European equity related securities.

Contact Details



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Fund Details

Benchmark	MSCI Europe Net TR Index
Fund inception date	5 November 2004
Fund type	Irish Long-only UCITS IV
Base currency	€
Share classes	€ (O, A, I, AI, BI & BR), $ (O, BI, CI, BR) and £ (O, I & D)
Hedging	Non-base currencies are unhedged
Dealing / Valuation	T-1 by 12pm / T-1 COB
Front end fee	Up to 2%
Annual Management fee	(A,O, D, BI, CI) 0.70% , (I,AI) 1%, (BR) 1.20%
Performance fee	0% of the relative outperformance over and above the MSCI Daily TR Net Europe index. Fees crystal-lise annually, (and on redemption for some share classes). Losses carried forward.
Anti-dilution fee	May deal on offer or bid basis and up to 0.5% ADL applied if net subs/reds >5%of NAV
Min. investment	£1,000,000 or equivalent in $, €
Dividends	Reporting and accumulation share classes available
Administrator	RBC Investor Services Ireland Limited
Custodian	RBC Investor Services Bank S.A
Auditor	Deloitte & Touche LLP
Price reporting	Prices published daily in Financial Times
SEDOL:	(O) €-B04YBL5 £-B046NX7, $-B046JZ1, (I) € B046JW8 £-B046NW6, £D-B2R80S8, €A-B4ZX421, €AI-B503G16, €BI-BF8HVC6, . €BR-BF8HVD7, $BR-BJFLGD5 , $BI-BJFLGC4,$ C1BLSP5Z3
ISIN:	(O) €-IE00B04YBL58 £-IE00B046NX75,, $-IE00B046JZ12 (I) shares €-IE00B046JW80 £-IE00B046NW68, (D) £-IE00B2R80S81 €A-IE00B4ZX4214, €AI –IE00B503G166, €BR-IE00BF8HVD74, €BI IE00BF8HVC67, $BR-IE00BJFLGD54 $BI-IE00BJFLGC48, $CI-00BLSP5Z32

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