

## ODEY GIANO FUND

ODEY  
ASSET MANAGEMENT

## REPORT FOR AUGUST-15

- In August-15 the Fund returned +1.0% against the MSCI Daily TR Net Europe return of -8.3%.
- S&P closed down -6.3%, the Eurostoxx 600 closed down -8.5%.
- The best performing sectors were Real Estate and Construction & Materials; the worst were Basic Resources and Autos.
- The best performers in the Fund were Swatch Group (+0.5%) and Solvay (+0.5%); the worst were Ocado Group (-1.2%) and Intertain Group (-1.1%).
- The average net exposure during the month was +14.7%.

## MANAGER'S REPORT

When I was writing the July report I felt that whilst markets outside Europe were fragile, the risk in Europe was more up than down; that justified a neutral position where the work had to be done by individual positions.

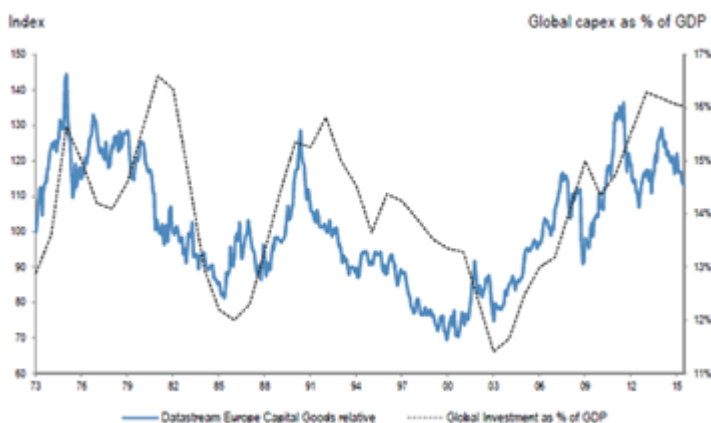
The unpegging of the Chinese currency from the dollar – the timing of which was unexpected but the need for it was clear to many – was enough to push the market out of balance and cause quite a savage correction. The correction had its nadir at the opening of the US market on Monday 24<sup>th</sup> when many stocks experienced a 1987-like crash in a few minutes; from the previous close GE was down -22%, Apple -13%.

During the month of August, European markets were down anywhere between -7% and -8% but they are still amongst the best performing markets this year.

I feel it has been a bit of a missed opportunity for me.

What's next? From a short term point of view I think the correction that we have seen in August is very extreme and calls for long positions in certain "defensive" stocks, which is what I have done. From a longer term point of view I think that what we have seen until now is only the adjustment of the assets and the countries related to the normalisation of the price of industrial commodities and we still need to see the adjustment in a lot of other areas like capital goods or luxury goods.

**Figure 1) Global capex as % of GDP remains elevated, sustained sector outperformance unlikely**



Source: JP Morgan

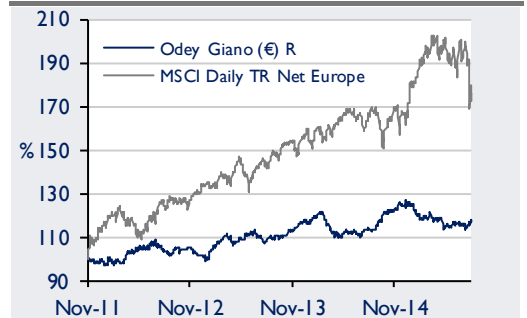
## FUND DATA

28-Aug-2015

€ R Class	117.00
\$ R Class	118.57
£ R Class	117.95
Fund Size (€m)	88.46
Inception Date	23-Nov-11
Index	MSCI Daily TR Net Europe

## PERFORMANCE

Since Inception



Source for above table and chart: Quintillion Ltd and Bloomberg. Calculation on a NAV basis as at 28-Aug-15. The data below refers to the € R share class.

## PERFORMANCE (%)

28-Aug-2015

€	Fund	MSCI Daily TR Net Europe	Rel.
MTD	1.0	-8.3	9.2
3-month	2.0	-10.6	12.6
1-year	3.7	8.4	-4.7
3-year	13.3	44.4	-31.1
YTD	-5.8	7.6	-13.4
1yr to 28-Aug-2015	3.7	8.4	-4.7
1yr to 28-Aug-2014	3.8	17.1	-13.3
1yr to 28-Aug-2013	5.3	13.7	-8.5
Inc. to 28-Aug-2012	3.3	24.3	-21.0
Since Inception	17.0	79.4	-62.4
CAGR since inception	4.3	16.8	-12.5

## STATISTICS

28-Aug-2015

	1-year	3-year	Inc.
Fund annual s.dev.	8.2	9.0	8.6
Index annual s.dev.	14.3	11.0	11.4
Alpha	0.5	0.5	0.6
Beta	-0.2	-0.2	-0.2
Correlation	-0.4	-0.2	-0.3
Sharpe Ratio	0.5	0.5	0.5
Fund Info Ratio	-0.2	-0.6	-0.7
Fund Tracking error	19.2	15.6	16.3

## ASSET ALLOCATION

28-Aug-2015

	% Nav
Long Equity	96.3
Short Equity	-50.6
Government Bond	-25.4
Foreign Exchange	0.7

\*Any option positions included at delta adjusted basis.  
Source for 3 tables above: Internal unaudited figures. All performance figures quoted are net of fees. Past performance is not a reliable indicator of future performance.

As I also mentioned in my July report, it seems to me that in many EM countries we are only at the beginning of a multi-year adjustment process: the main reason being the high level of private debt accumulated in the last few years, especially in Asian countries.

## KONE – Short

Market capitalisation 18.2bn Euros (as at 09-Sep-2015).

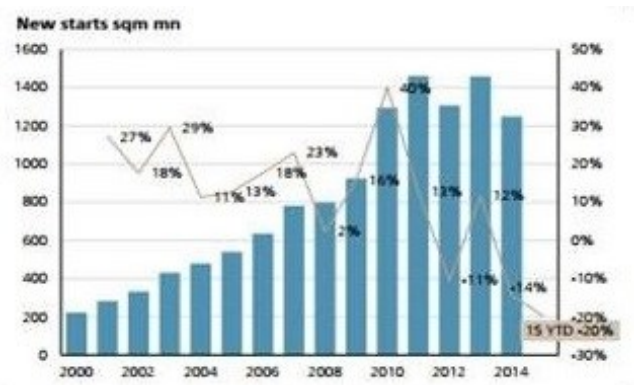
EV/Sales 1.7; PE 19 (12 months forward consensus estimates).

Kone is one of the main players in the world in elevator installation and maintenance. I shorted it at the beginning of the year as it was priced as a growth stock, the stock has derated since and it is no doubt a good company.

The reasons to be short today are:

- a) China is 35% of sales and soon to implode given the lag of the construction cycle (18/24 months)

**Figure 2) Chinese residential floor space started**



Source: CEIC

- b) as growth is fading the market is becoming more competitive. Otis, the no. 2 player, is changing competitive behaviour to regain market share;
- c) pressure on pricing is accelerating: it is now negative -5%;
- d) in recessions, equipment margins can go to zero, which is what we saw in Europe in the 90's;
- e) as a consequence of all of the above, working capital – at present substantially negative – is likely to become a headwind;
- f) we also see service margins in Europe coming under pressure for their own reasons; however this is secondary to the hole that their Chinese business is likely to cause.

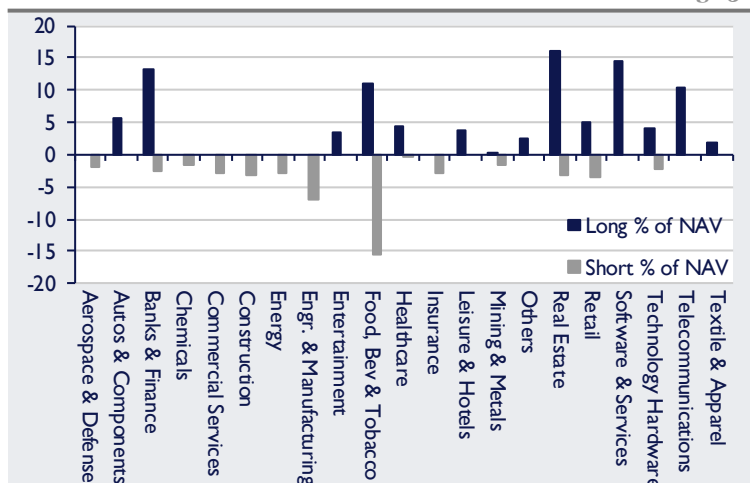
# ATTRIBUTION, ALLOCATION & HOLDINGS REPORT

# ODEY

ASSET MANAGEMENT

## ALLOCATION BY SECTOR

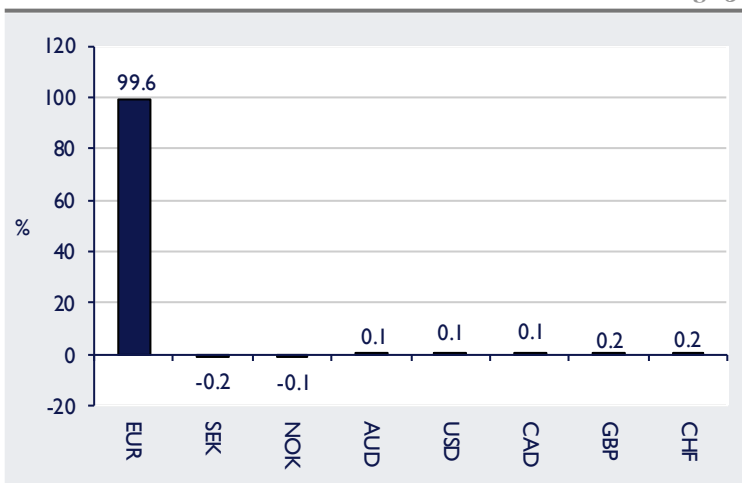
28-Aug-15



Internal unaudited figures

## CURRENCY EXPOSURE

28-Aug-15

Shows all currency exposures of holdings and forward currency positions.  
Internal unaudited figures.

## TOP 10 HOLDINGS

28-Aug-15

Rank	Security	Strategy	Notional Exposure (%)
1	Short Euro-Btp Fu Sep 15	Short	25.4
2	Grand City Properties	Long	8.6
3	Primecity Investment	Long	7.6
4	Yoox	Long	7.1
5	Ocado	Long	7.0
6	J Sainsbury	Short	5.6
7	Plus500	Long	4.7
8	Novartis	Long	4.4
9	Inmarsat	Long	4.2
10	Alcatel-Lucent	Long	4.0

Internal unaudited figures

## TOP 5 WINNERS

For the month ending 28-Aug-15

Rank	Security	Strategy	Notional Exposure (Ave %)
1	Swatch Group	Short	3.5
2	Solvay	Short	3.0
3	J Sainsbury	Short	4.9
4	Aberdeen Asset Management	Short	2.2
5	Google Inc.	Long	0.8

## TOP 5 LOSERS

For the month ending 28-Aug-15

Rank	Security	Strategy	Notional Exposure (Ave %)
1	Ocado Group	Long	7.8
2	Intertain Group	Long	2.2
3	Amaya	Long	3.8
4	International Game Technology	Long	4.3
5	Alcatel-Lucent	Long	4.3

Internal unaudited figures

## INVESTMENT OBJECTIVE

The fund aims to provide long term capital growth by investing in or taking exposure to a diverse range of asset classes including equities, equity related securities (such as warrants, convertible bonds and exchange traded funds), derivatives (including those simulating short positions), government and corporate debt securities, collective investment schemes (including exchange traded funds), commodities, currencies and cash. The securities in which the fund will invest will primarily be listed or traded on one or more recognised exchanges worldwide (including emerging markets). The fund has the discretion to invest in a range of investments as described above with no need to adhere to a particular benchmark. The fund has no specific target market or asset class and any one asset class may account for up to 100% of the assets of the fund at any given time. The success or failure of the fund is based on the Investment Manager's expertise in allocating assets across the most opportune asset classes at any given time. The fund may invest up to 10%, in aggregate, of its net assets in collective investment schemes. Derivatives may be used for investment purposes and to manage the risk profile of the fund. The fund may take long and short positions in any class.

## FUND DETAILS

Comparators	Primary: Cash, Secondary: MSCI Daily TR Net Europe
Fund inception date	23 November 2011
Fund type	Irish Long-short UCITS IV
Base currency	€
Share classes	€ R, £ R & \$ R
Dealing / Valuation	Daily forward to 2pm / COB
Front end fee	Up to 5%
Annual Management fee	1.25%
Performance fee	20% of the increase in the value per share of the fund between the beginning and the end of the year. Fees crystallise annually. Losses carried forward. May apply to subs/reds if net subs/reds >5% of NAV
Anti-dilution fee	£5,000 (or equivalent in \$, €)
Min. investment	Accumulation share class only
Dividends	Quintillion Ltd
Administrator	J.P. Morgan Bank (Ireland) Plc
Custodian	Deloitte & Touche LLP
Auditor	Prices published Daily in Financial Times
Price reporting	€ IE00B547H229, £ IE00B4VHP579, \$ IE00B74VVD78
ISIN:	€ B547H22, £ B4VHP57, \$ B74VVD7
SEDOL:	

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