LF Odey Absolute Return Fund

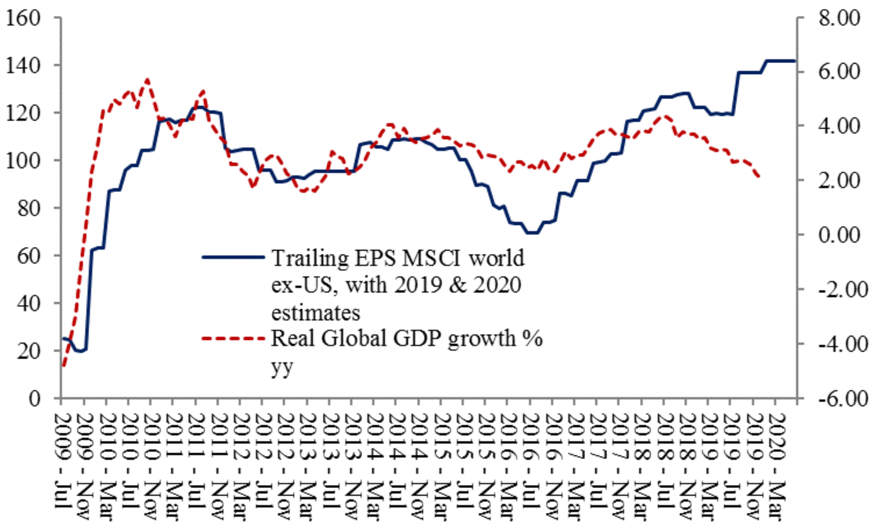
ODEY ASSET MANAGEMENT

Fund Manager Report

Macro

Economic data has continued to deteriorate this year with this weakness broadening out from the manufacturing sector. Earnings expectations for global earnings have gone up while GDP estimates have come down; this is an unusual dichotomy.

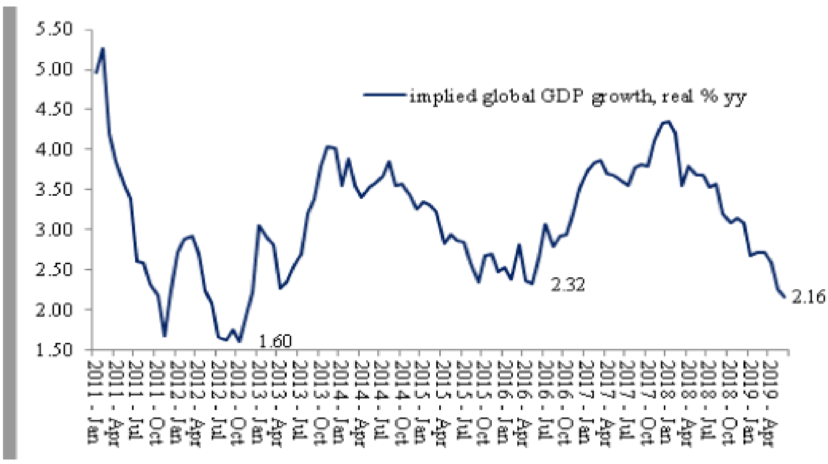
Exhibit 1: Trailing and forecast world ex US EPS vs real GDP growth



Source: Haver, Odey Research

Global growth has halved over the past 12 months from just over 4% to just over 2%. This is now the lowest level of global GDP growth since 2012.

Exhibit 2: Survey derived real global GDP growth



Source: Haver, Odey Research

Performance

-5.3% Monthly performance

-2.2% Year-to-date performance

10.9% CAGR since inception

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

Fund details[1]

£ I Class	286.37
£ R Class	271.80
$ Class	1.57
€ Class	1.57
Fund Size	£665 million
Strategy AUM	$1,042 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	UK Long/Short UCITS

Fund Managers

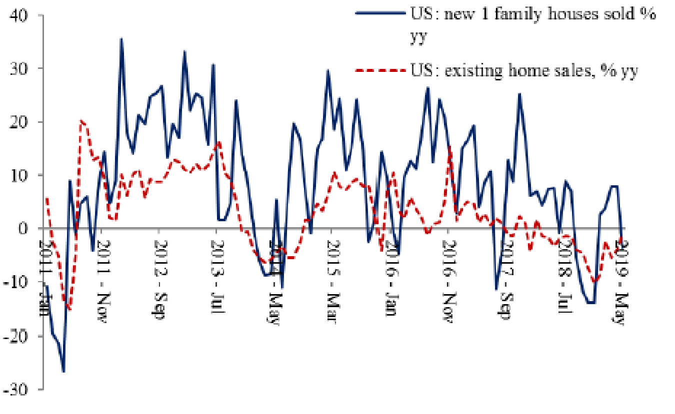
James Hanbury
Adrian Courtenay
Jamie Grimston

For full bios visit odey.com

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ I share class. All data shown as at 28 June 2019. [1]Link Fund Solutions and Bloomberg, calculation on a NAV basis with net income reinvested.

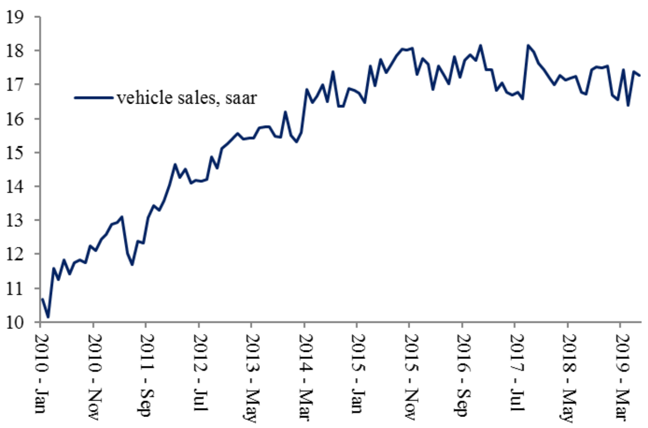
The economy finds itself in this position after 10 years of low interest rates and accommodative central banks policies and with global debt levels at modern day highs. The impact of QE and low interest rates has been to pull forward demand. This has created a situation where the elasticity of lowering interest rates and stimulus is much lower. This can be seen in the lack of response to auto and housing sales in America as the yield curve has fallen and it can also be seen in the lack of response to stimulus packages in China relative to the past.

Exhibit 3: Growth of new and existing US home sales



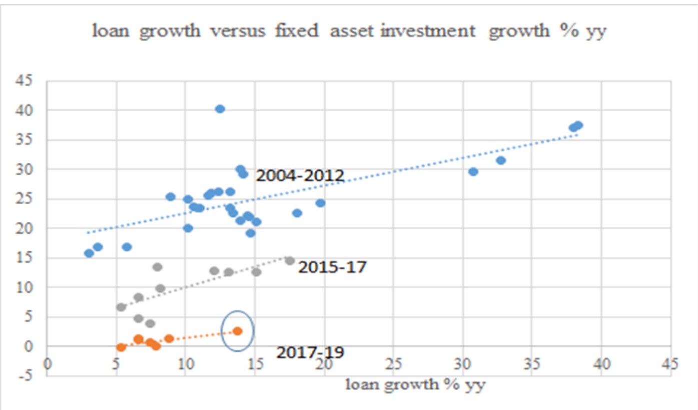
Source: Haver, Odey Research

Exhibit 4: Seasonally adjusted annual rate of US light vehicle sales.



Source: Haver, Odey Research

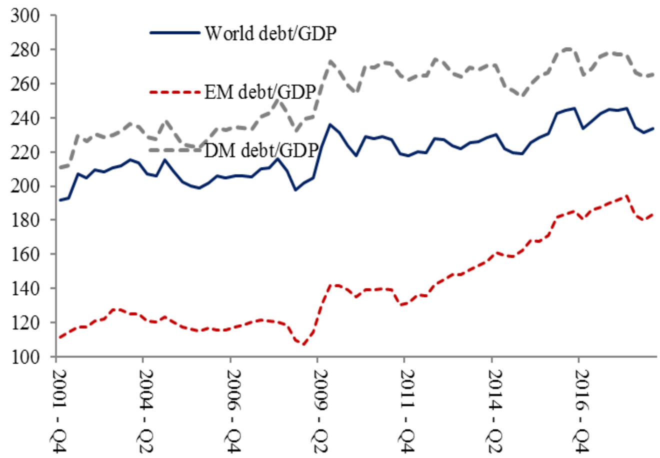
Exhibit 5: China loan growth vs fixed asset investment growth



Source: Haver, Odey Research

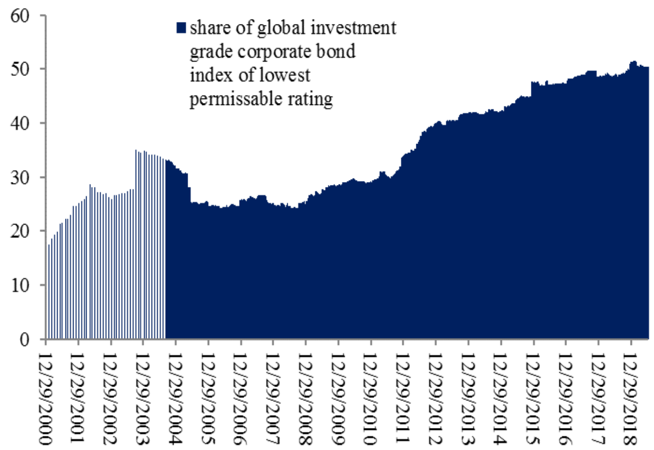
The US, the growth bastion of developed markets, is now set to cut interest rates due to deteriorating economic trends, likely starting in July. This is further evidence of the failure of the global economy to achieve escape velocity and wean itself off record low interest rates. It is worth just reminding ourselves that if you lend money to the German government today **you** have to pay it 22 basis points per annum for that privilege. Not only do we find ourselves in a situation where global debt levels are high but also that the quality of the debt has deteriorated as seen in the charts below:

Exhibit 6: Global debt levels (government and private) as % of GDP



Source: Haver, Odey Research

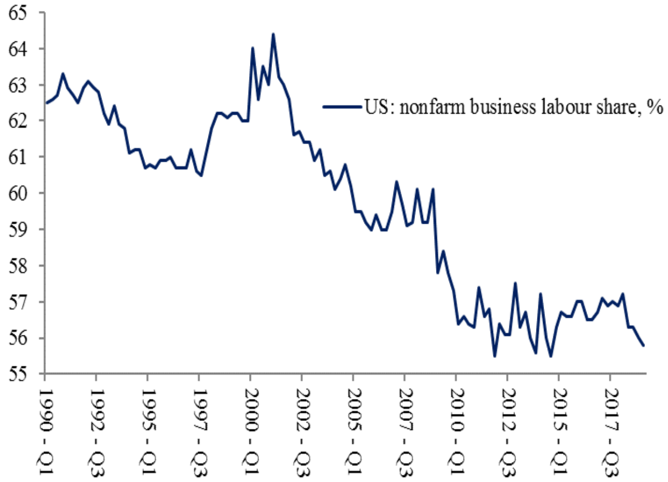
Exhibit 7: Share of global investment grade corporate bond index at the lowest permissible rating



Source: Haver, Odey Research

Despite this backdrop of a highly indebted and fragile global economy major stock markets are close to all time highs with top quartile valuations. On top of that profit margins in America are high, due to the low level of GDP going towards salaries.

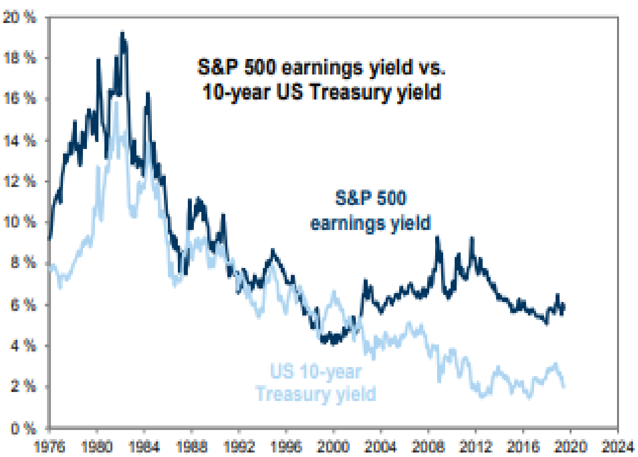
Exhibit 7: US non farm business labour share of economic output



Source: Haver, Odey Research

There are signs of wage inflation coming through and one of our concerns is that even with a slowing economic environment it may be harder to flex the wage cost base relative to previous cycles due to socio political pressures. From a stock market perspective the big bullish counter argument at present is how high the equity risk premium appears and that equities are attractive relative to other asset classes. This is true unless earnings start to be cut or discount rates go back up again. At present the former feels like the greater risk.

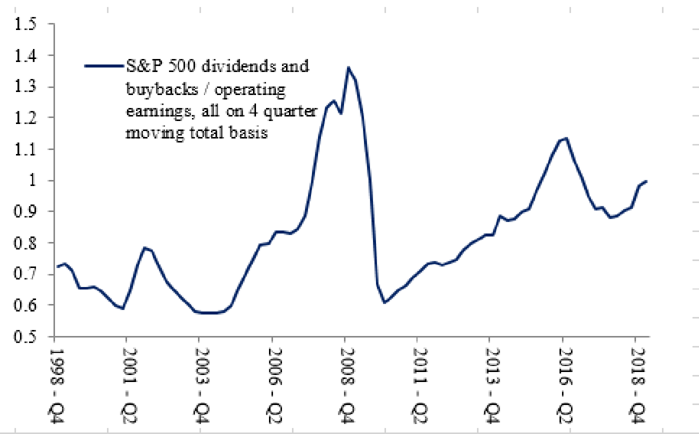
Exhibit 8: S&P earnings yield vs 10 year Treasury yield



Source: Goldman Sachs Global Investment Research

We have been in a world recently where bad economic news is good news for the stock market as market participants want a lower discount rate. Given where GDP levels have now fallen to and where the coverage of FCF to cash returns to shareholders now is in the US we must be getting closer to an environment where bad economic news is bad news for stock markets. Put another way if economic data continues to deteriorate then dividend cuts and profits warnings should be expected.

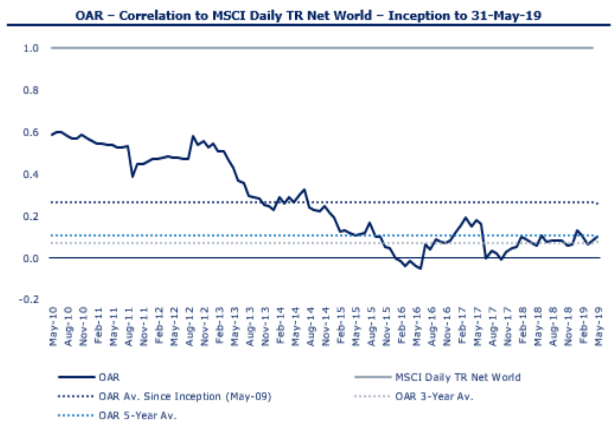
Exhibit 9: S&P 500 dividends and buyback payout ratio



Source Haver, OAM

When we weigh up where we are in terms of valuations (bottom up and top down) and the macro environment we feel more cautious than we have done since launching the fund over a decade ago. Equally we fully recognise that the difficulties of market timing and holding a materially net short position, we are therefore currently positioned as market neutral having been closer to 20% net long at the beginning of the year. This is reflected in our correlation to the market which is now also close to zero.

Exhibit 10: OAR correlation to the world index since fund inception



Source: Odey Research

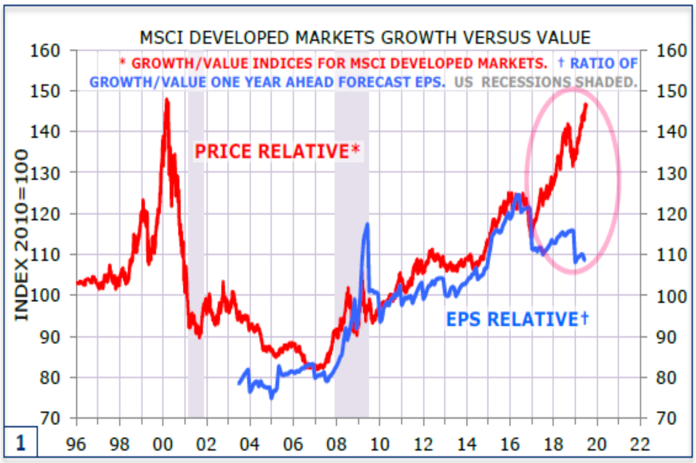
Fund performance

It was a disappointing quarter for the fund with a negative performance of -4.00%. This performance came from the long book losing -0.94% and delivering material negative alpha in a strong market and our short book losing -1.33% which actually delivered positive alpha (as the shorts went up less than the market). The first half of the year saw a continuation of the trend from 2018 where the short book has been performing very well and the long book has been performing poorly relative to the market. We discuss each side of the book in more detail below.

Long book

We have a good long term track record of outperforming the market on the long book (c.8% per annum) but this has undoubtedly been a difficult recent market for our style and geographical exposure. We do not believe this recent poor long book alpha is structural or a negative change in our process but rather cyclical and when we look at how our businesses are trading operationally and how they are valued we are filled with a huge amount of optimism on a forward looking basis. Over the past couple of years our long book has certainly started to have more of value bias, 4 out of top 6 positions have a free cash flow yield of between 12-25% as an example (and we believe they are growth businesses). The flows in the market have been going towards more growth stocks though despite the EPS performance as seen in the chart below.

Exhibit 11: Developed markets growth style investment out performance vs growth company EPS out performance

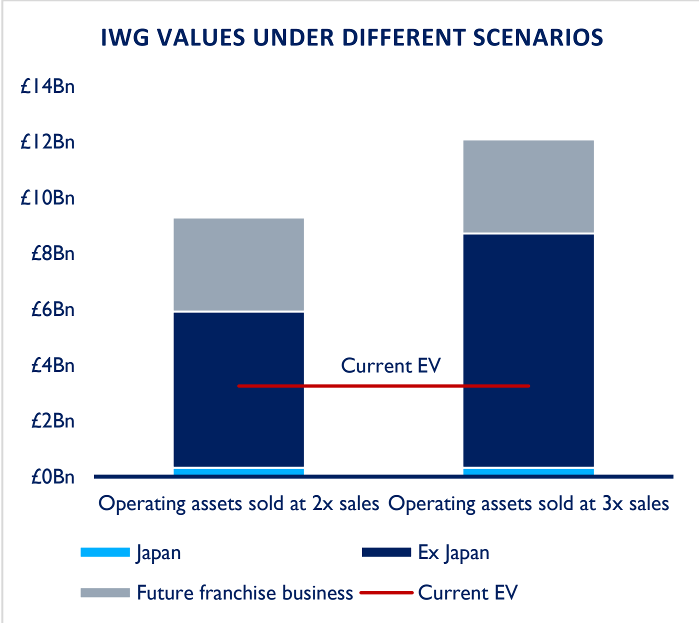


Source: Minack Advisors

As we said in previous newsletters the UK overweight that we have had in the long book has had a material headwind from the currency, perception of which impacts multiples and in some cases has been a macro headwind, as in the case of AO world. We are reasonably optimistic that the leadership changes in the Conservative party could be a stimulus to the UK macro, Brexit resolution and outside perception. The new chancellor will be coming in with a primary budget surplus and it is encouraging to see the Labour Party falling to fourth in a recent poll.

IWG (+1.09%), the serviced office company, was the top positive contributor after it announced a deal to sell off its Japanese business and retain the franchise rights. The business was sold on 3.4x EV/sales or £320m in cash and IWG will receive a franchise revenue as a % of system sales going forward. We have always felt this business was incredibly cheap and this transaction highlights the case. Mark Dixon, the founder and CEO, has said that he wants to sell off potentially the entire estate in this way and retain the franchise revenues. IWG trades at just above 1x sales and management believe they can sell the rest of the business for 2-3x sales and become a pure franchise business. The market has priced-in the Japanese transaction but is sceptical of future deals. We believe that future deals are highly likely and we are reassured to see Mark Dixon buying shares both before the Japanese deal and a few weeks ago after the shares had rallied. The chart below shows what the business would be worth if they sold off the estate on 2x and 3x sales and the remaining franchise business was put on 16x EBIT.

Exhibit 12: IWG potential enterprise value in different sale and franchising scenarios



Source: Odey internal unaudited data, Bloomberg

Alpha Bank (+0.82%) benefitted from an early election in Greece being called and the market pricing in a new more right wing government replacing the incumbent radical left party, Syriza. Since the end of the quarter New Democracy has won a majority which should help how Greece is treated by the IMF and ECB and be good news for the economy and banks.

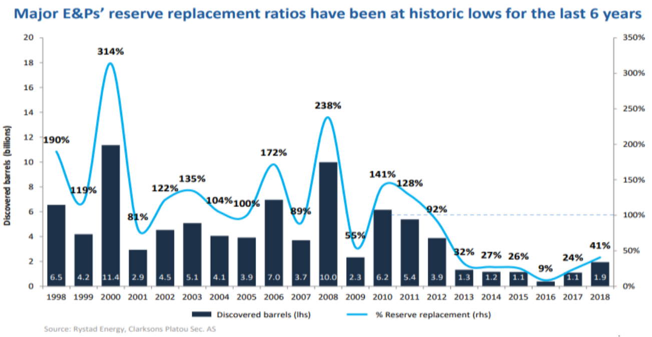
Viasat contributed +0.70% after strong set of quarterly numbers, we maintain an unchanged assessment of the attractiveness of the opportunity. It has been the case with ViaSat that the requirement for a labour intensive and complex analysis, combined with a conservative communication approach by management, continues to be reflected in a conservative valuation appraisal so far by market participants. However as the economics of ViaSat-2, and from 2021, ViaSat-3, come through, the analysis shifts from complex (understanding of the technical relationship between satellite capacity and economics) to a much more simplistic price/earnings analysis framework.

Serco contributed +0.56% after it announced what looks like a good acquisition in the US defence space. The deal should be 'materially' earnings accretive in its first full year. The company also provided a positive pre close trading update which positively surprised the market for organic revenues. Management at Serco have put in the hard yards over the past few years in terms of improving the reporting, IT, reputation, bidding discipline and reducing the cost base. It now feels like they are harvesting these efforts and the stock market is starting to reward them. We feel they are in a good position to grow their profits both organically and inorganically. Serco, which employs 50,000 people across the world in numerous outsourcing contracts, has taken longer than we expected for management to get the business moving financially in the right direction but it now feels like they have turned the juggernaut around. Serco trades on 50% of sales for a business which we believe can do at least 6% margins with a mid to high single digit growth rate and a high ROIC.

GVC (+0.53%), a beneficiary of US States regulating sports betting, contributed well in the quarter. GVC trades on a 12% FCF yield for 2020. **Uber** (+0.31%) is a new addition to the portfolio, we bought it after a weak IPO after-market. Due to our holding in Softbank we have been following the ride-sharing space closely over the past couple of years. Uber is a business which we assess has meaningful growth potential combined with a wide moat. It is a 'network effect' business for both drivers and passengers and they have at least 70% market share in most of their markets. There are lots of different ways of valuing Uber- a straightforward method is to value its non-core holdings (Yandex taxi, Didi, Grab) at their last transacted value and value the Uber eats business at the same multiple as Door Dash: it implies that the core Uber ride hailing business is trading on an EV/sales multiple of 1.8x (2020). This implied core EV/sales multiple for ride hailing puts it on a 56% discount to Lyft which is a significantly inferior business across a wide array of KPI's. Other new positions we bought in quarter were **BT** and **CK Hutchison** both of which are on forward PE multiples of 8x and 7x respectively for what we believe are fundamentally good businesses. We also bought **Aston Martin** at a similar time to director share purchases after it had halved since its IPO.

Our worst performer on the long book was **Ensco Rowan** (-3.53%), an off-shore oil drilling company. The oil price was negatively impacted by US inventories being higher than expected and although there was a small benefit with our short oil hedge the oil price is actually up this year and the oil servicing companies are down significantly. Sentiment was undoubtedly hurt by **Weatherford**, a company we have been short, going into Chapter 11 and we believe the market is unrealistic about the relative future share of oil production between onshore and offshore. Offshore oil is currently c. 30% of global production and we see no reason why that should change dramatically going forward. There is strong evidence of contango in the day rates being announced by drillers and our last newsletter highlighted how cheap Ensco is with any kind of recovery in day rates (up to 200% FCF yield at full recovery). This chart below from Pacific Drilling shows how little investment has gone into reserve replacement over the past few years which should indicate there is pent-up demand for future drilling.

Exhibit 13: Major E&P companies' reserve replacement ratios



Source: Pacific Drilling July 2019 Investor Presentation

Plus500 was a drag on performance (-2.96%) after it reported weak first quarter figures. We believe this was almost entirely due to tough market conditions with low volatility across nearly all asset classes. Despite the short term pain these tough markets should only speed up the market share gains for Plus500. We had seen strong evidence of share gains in our bottom-up work and the company confirmed in the last few days, at their Q2-19 update, that they were seeing less competition. As ever with CFD trading businesses levels of market volatility and interest will be a key drivers of revenues but on a 12-month forward basis we see the shares on a PE multiple of 2.5-3.5x ex cash. This is for a structural grower within its sector. Plus500 has been a fantastic contributor in the fund since we have held it, generating 13% but this year has been a material detractor.

AO World was also a very poor performer in the quarter costing the fund -0.97%. There is no doubt that AO World has been hit the hardest in our fund by a tough macro environment, the UK major domestic appliance market volumes have been down for the past 3 years. There clearly has to be mean reversion here at some point and it is good to see the founder John Roberts coming back into the CEO role where the early signs of his changes are encouraging. Competitors have probably responded better than we expected over the past few years but AO World is a growth business and market leader in MDA online sales in the UK. It now trades on c.25% of sales and has a lot of profitable opportunities ahead of it.

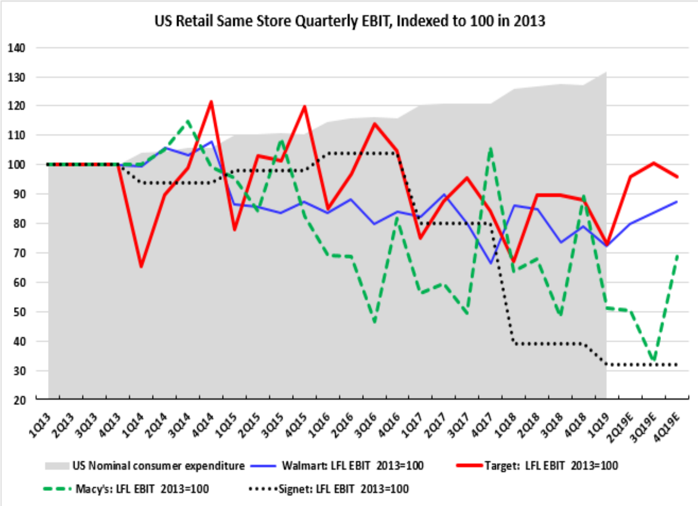
June was the worst month in terms of negative alpha but it is worth noting that we didn't have a single negative update from any of our long positions. As mentioned before we have noticed how much volatility has picked up for stocks on reporting days with low volatility in between. This trend makes sense with the increase of passive flows into the market. For bottom up stock-pickers like us it means we especially look forward to reporting days.

Short book

The short book had another good quarter in terms of alpha but lost -1.33% in a strong market.

Our US retailer shorts made good absolute returns in the quarter and also as a group have generated good returns for us this year and last. What we find encouraging about the US retailers short positions is that they are struggling to grow profits in an environment which one could argue is almost 'as good as it gets'. To quote the last Federal reserve minutes; 'Key factors that influence consumer spending- including a low unemployment rate, further gains in real disposable income, and still elevated measures of household net worth- were supportive of solid real PCE growth'. These macro tailwinds have led to high levels of US consumer confidence, but despite this retailers have struggled to grow LFL profits. The main reason for this are the structural challenges coming mainly from Amazon, this has raised the cost of being in business and provided a sales headwind as Amazon keeps winning market share. The chart below shows what has happened to some of our retail shorts economics over the last couple of years but the real question is what happens to profitability when 'the tide goes out'?

Exhibit 14:US retail same store quarterly EBIT vs US nominal consumer expenditure, indexed to 100 in 2013

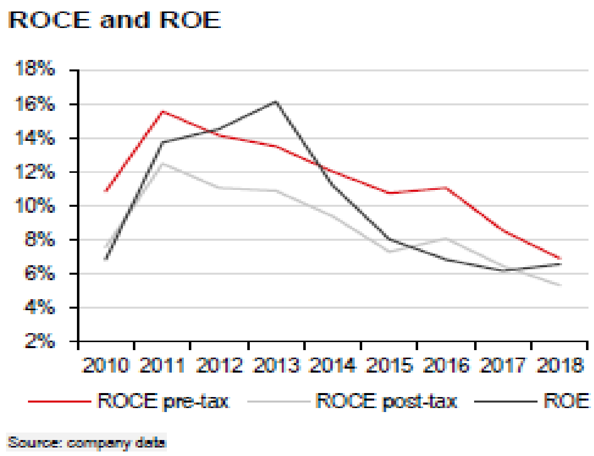


Source: Haver, Company Accounts, Bloomberg, Odey Research. Signet data is annual.

Tesla contributed +0.79% as questions over demand and profitability become quite relevant. **Bunzl** (+0.79%) continued to report poorly and strengthened our conviction that the business has structural issues. **Just Eat** (+0.66%) was a good short for us in the quarter as results showed that it is losing significant market share to Uber Eats and Deliveroo who have better business models in our opinion. The Just Eat market place volumes were shown to be barely growing.

Eurofins, a short position in the fund, has had a difficult 2019. The company and bulls could argue that it was unlucky with a ransomware attack. However we think that Eurofins' business model has become more vulnerable given how the company has been run over the past few years. Eurofins has had an insatiable appetite for acquisitions; it has made around 100 in the past few years and nearly one a week last year. According to competition and industry insiders Eurofins' bids have been significantly higher than the next best bid in competitive situations. As you can see in charts below the leverage has gone up and the ROIC has come down. We doubt that either the time or money has been spent to integrate properly or upgrade the IT systems. The majority of the Eurofins companies could not get their servers fully back up and running for at least a couple of weeks after the IT breach, which had a disruptive impact on customers. The market has implied that this IT security breach is a one-off and everything will be back to normal in Q3-19. We believe that Eurofins customers who need a very dependable day-to-day service from their testing partner will either look to diversify their business or move fully to a competitor; certain press articles have highlighted this issue with the likes of the British police force who have used Eurofins for forensics testing. The market expects organic growth to be around 5%; we believe it could be much lower over the next couple of years. When we combine poor corporate governance, low cash generation, related party transactions and a PE multiple of 21x (2019) we are comfortable being short.

Exhibit 15: Eurofins Return on Invested Capital and Return on Equity 2010-2018

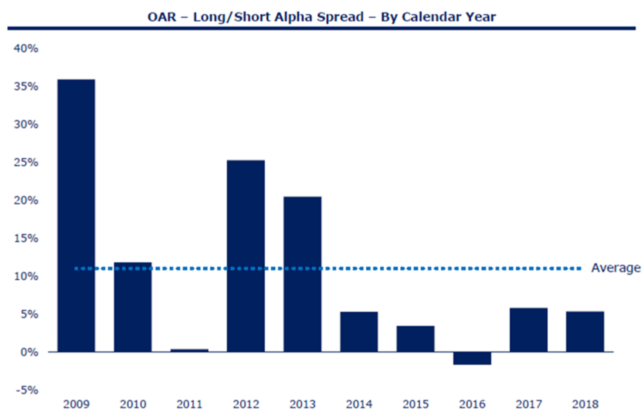


Source: HSBC

10 year anniversary

During the quarter the fund went through its 10 year anniversary. In the first 10 years the fund has returned 11.6% CAGR after fees with an average beta-adjusted exposure of +27.5%. 9 out of 10 of the years have been positive and 84% of the time the fund has delivered positive 12-month rolling returns. In terms of alpha generation the short book has achieved on average 3% per annum and the long book has achieved c. 8% per annum. When you combine the two it has given us an 11% alpha spread on average each year.

Exhibit 16: OAR long/short alpha spread – By calendar year.

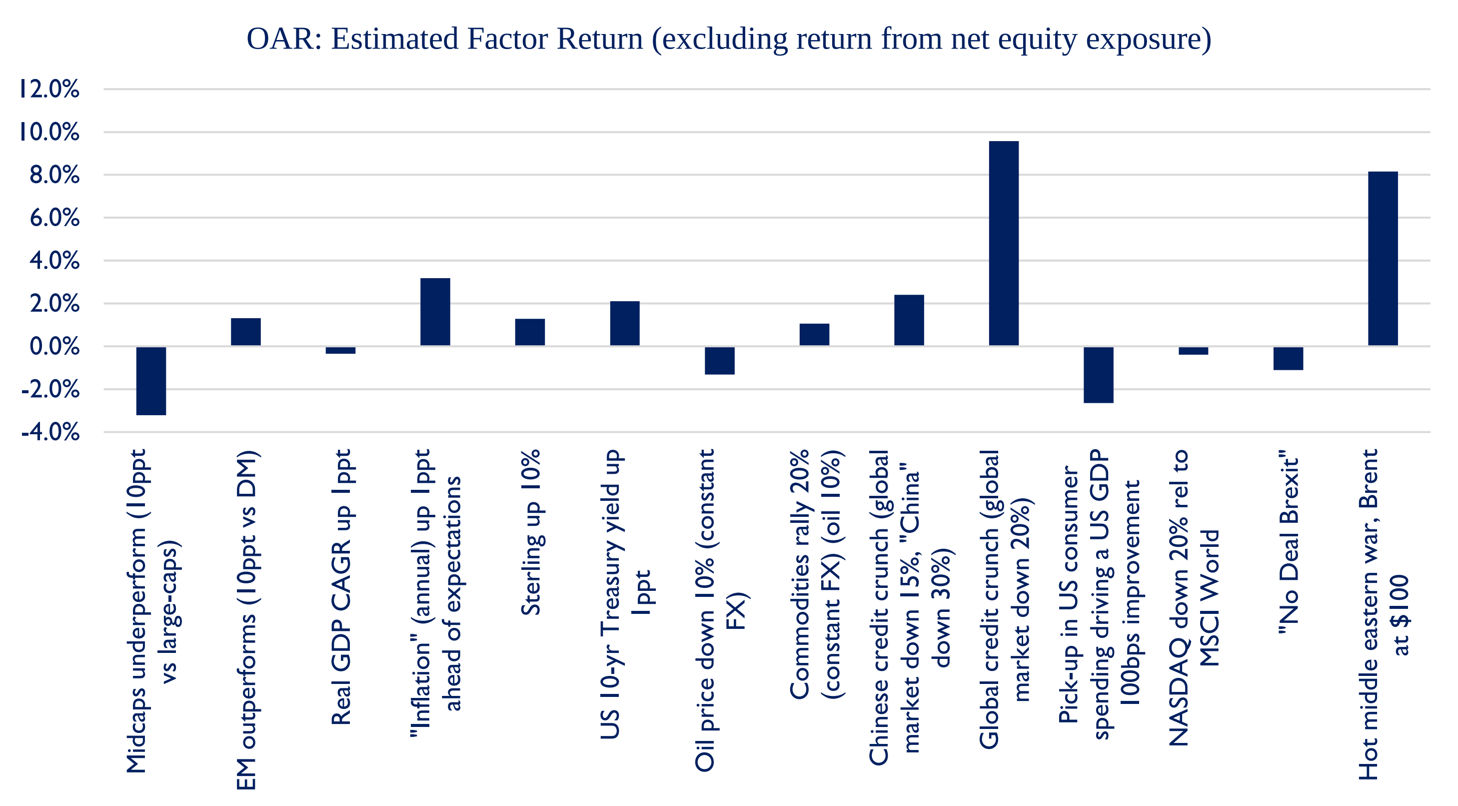


Source: Odey Research

Whilst we are pleased with the first 10 years we believe we have improved our process. Whilst different markets offer different opportunities we hope to improve results in the next 10 years. As expressed above we are particularly disappointed with the last couple of years of long book performance but we are optimistic that this will significantly improve.

Conclusion
It was a frustrating quarter due to our long book but we believe the risk adjusted returns offered in these positions are currently very attractive. Due to opportunities on the long and short side, overall valuations and the macro environment the fund is market neutral and fully hedged back to sterling.

Exhibit 17: OAR Estimated factor return



Source: Odey internal unaudited data

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

—
James Hanbury

LF Odey Absolute Return Fund

ODEY ASSET MANAGEMENT

Performance

	1-month	3-month	1-year	3-year	5-year	YTD	Since inception	CAGR since inc.
Fund	-5.3	-4.0	-7.7	-12.9	2.4	-2.2	186.4	10.9
MSCI Daily TR Net World	5.6	6.5	10.3	47.3	85.0	17.1	237.3	12.7
Relative	-10.8	-10.5	-18.0	-60.3	-82.6	-19.3	-50.9	-1.8

DISCRETE YEARLY PERFORMANCE

1-year to	30 Jun 15	30 Jun 16	30 Jun 17	29 Jun 18	28 Jun 19
Fund	11.9	5.1	-14.3	10.0	-7.7
MSCI Daily TR Net World	10.3	13.9	22.2	9.3	10.3
Relative	1.6	-8.8	-36.5	0.7	-18.0

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	6.8	-4.9	0.3	-1.7	3.1	-5.3							-2.2
2018	-0.3	0.7	0.9	4.8	3.2	0.3	2.6	-5.6	1.8	0.4	2.8	-7.3	3.8
2017	1.2	-3.4	0.0	1.6	2.9	0.6	-1.3	7.1	0.9	1.4	-1.6	-6.0	2.9
2016	-3.8	5.3	-5.2	-3.6	4.4	2.1	-2.0	-1.2	0.4	-8.9	-1.1	-4.8	-17.9
2015	-2.6	-2.3	1.1	5.6	-5.4	5.0	1.4	1.0	-1.2	4.5	-0.6	1.4	7.6
2014	0.4	3.0	-1.7	-4.7	1.4	-3.0	-0.5	0.3	3.6	2.4	3.2	1.5	5.5
2013	6.7	3.0	1.2	2.0	7.9	1.2	3.5	1.1	4.9	1.8	2.0	3.0	45.6
2012	6.9	8.9	2.3	-1.2	-3.3	3.7	0.9	3.6	3.0	4.1	1.4	2.3	37.2
2011	7.6	2.8	1.7	1.0	2.4	-1.1	-1.1	-10.9	1.1	3.8	-2.9	0.4	3.5
2010	-0.5	-0.5	0.8	2.9	-2.5	-4.7	3.4	-4.8	9.2	2.4	2.8	7.2	15.7
2009					3.9	2.0	2.3	6.3	8.8	-1.4	-1.0	0.5	22.9

Fund details[1]

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Strategy AUM	$1,042 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	UK Long/Short UCITS
Comparators	Primary: Cash Secondary: MSCI Daily TR Net World GBP
Base Currency	£

Live fund dashboard

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

View dashboard on odey.com >

Top ten equities as percentage of NAV

	Strategy	Notional Exposure
Plus500	Long	9.0%
ViaSat	Long	8.9%
Playtech	Long	7.8%
SoftBank	Long	7.6%
Sports Direct	Long	5.5%
Ensco	Long	4.9%
Ashmore	Short	-4.8%
Eurofins Scientific	Short	-4.8%
Stars	Long	4.8%
IWG	Long	4.8%

Statistics

	1-year	3-year	5-year	Inception
Fund annual s.dev.	14.5	12.5	12.1	12.8
Index annual s.dev.	13.4	10.4	10.0	11.3
Alpha	-0.7	-0.3	0.0	0.5
Beta	0.2	0.1	0.0	0.4
Correlation	0.2	0.1	0.0	0.3
Sharpe Ratio	-0.5	-0.3	0.0	0.8
Information Ratio	-0.9	-1.2	-0.8	-0.2
Tracking Error	18.4	16.8	16.0	13.9
Sortino	-0.7	-0.4	0.0	1.1
Sortino	-0.7	-0.4	0.0	1.1

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 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

Fund team and contact details

FUND MANAGERS

James Hanbury
Adrian Courtenay
Jamie Grimston

For full bios visit odey.com

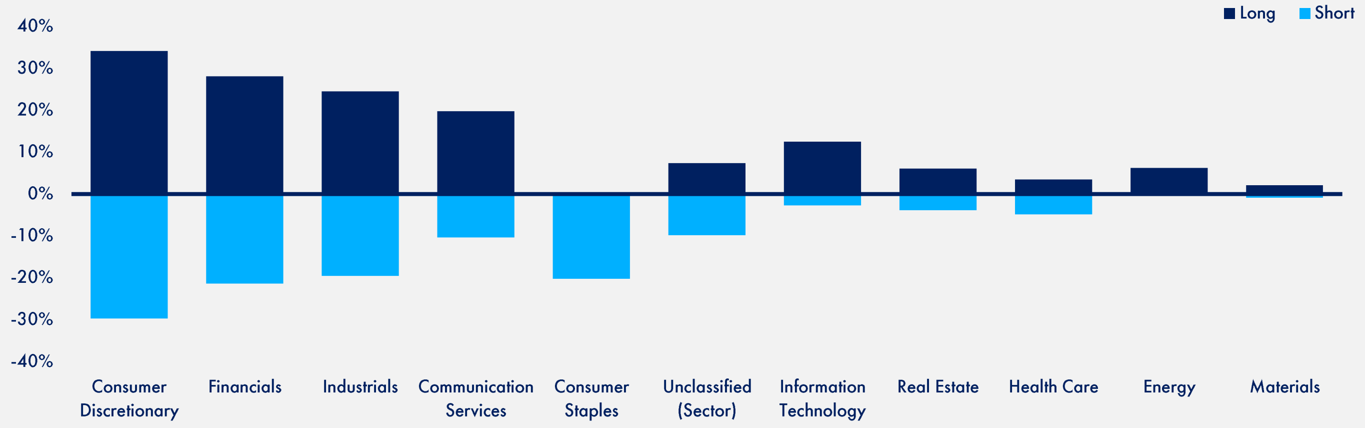
ENQUIRIES

T: +44 (0)20 7208 1400
E: marketingteam@odey.com
W: odey.com

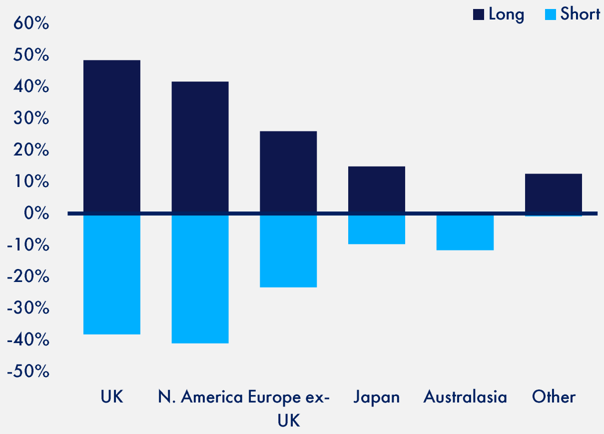
which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

Odey Asset Management, 12 Upper Grosvenor Street, London, W1K 2ND

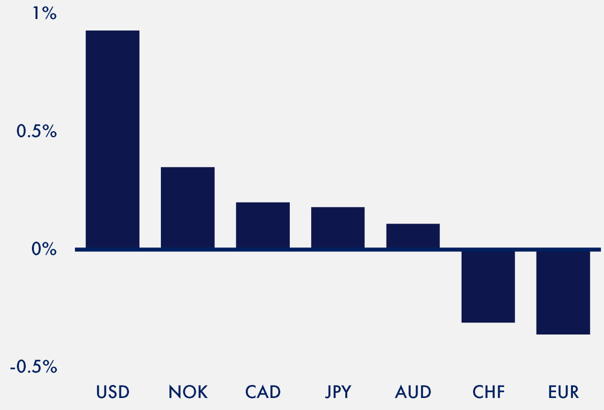
Equity exposure by sector



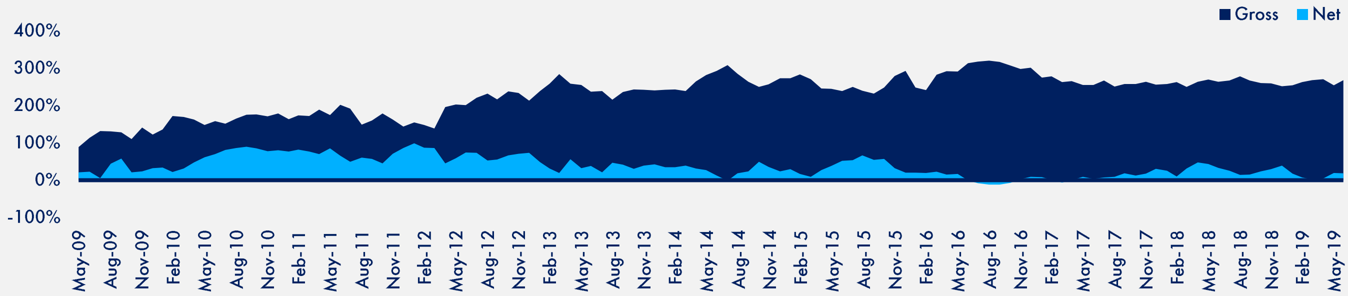
Equity exposure by geography



Non-base currency exposure



Equity exposure



ASSET ALLOCATION AS PERCENTAGE OF NAV

Long equity	143.5	**Net**	19.0
Short equity	-124.5	**Gross**	268.0

Note: Allocation figures are taken at close of business whereas Fund performance is taken at 10am. Equity exposure includes all equity related instruments. Government Bond exposure can be provided on a ten-year adjusted basis. Currency exposure shows non-base currency through forward currency contracts and portfolio holdings. 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 £ I share class. All data shown as at 28 June 2019. [1]Link Fund Solutions 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 LF Odey Absolute Return Fund ('The Fund') aims to achieve 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 Investment Manager seeks to achieve this objective through managing a portfolio of securities, bonds and currencies and related financial instruments.

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	R (£), I (£, €, $) Acc.	**Minimum investment**	R £5,000; I £1,000,000
Share class hedging	Non-base currency share classes are hedged	**Dividends**	Accumulation shares only
Trade date	Daily	**Authorised Corporate Director (ACD)**	Link Fund Adinistrators Ltd.
Dealing	Forward to 10am	**Auditor**	Ernst and Young LLP
Valuation	10am	**Depositary**	National Westminster Bank Plc
Front end fee	Up to 4%	**Price reporting**	Prices published daily on www.odey.com, Bloomberg and by other third party data providers.
Annual management fee	R 1.25%, I 0.75%	**ISIN**	R: GB00B55NGR79, £I: GB00B55NGS86, €I: GB00B3SX1S66, $:GB00B3Z00X80
Performance fee basis	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.	**SEDOL**	R: B55NGR7, £I: B55NGS8, €I: B3SX1S6, $:B3Z00X8
Anti-dilution fee	May apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur		

Important information

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund: LF Odey Absolute Return 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 assets will decrease in value whereupon they will be repurchased and returned to the lender.

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

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

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

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

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

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

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

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

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