

ODEY EUROPEAN FOCUS ABSOLUTE RETURN FUND



Fund Manager Report

European equity markets rallied strongly in the first quarter, recouping much of the losses of the final quarter 2018. Global equity markets also rebounded sharply during the period as the US Federal Reserve pushed back on further monetary tightening, expectations improved for a resolution of the US/China trade dispute, global bond yields fell significantly, and the slowdown in global macroeconomic demand showed signs of stabilisation. Consequently equity investors begun to look through the deteriorating earnings environment and at the prospect of improving economic conditions through the remainder of the year.

Having performed well against the weak market backdrop in the second half of 2018, the Fund had a difficult start to the year as markets rebounded sharply. This weak performance was a function of the net short position, added to by both a tepid recovery in the long book, held back by stock selection and the shape of the portfolio, and, broad gains across the short book. Despite the performance of the Fund we made limited changes to the fundamental shape of the portfolio, although we cut back on both the gross and the net exposure to manage risk. On the long side, the Fund's largest exposure remains incumbent European telecom operators, and more specifically for the main position in France, finally, after seven years of price war, we started to see the first tangible signs of this war ending. On the short side of the book, while there were notable gains in Metro Bank, Publicis and Wirecard, the portfolio overall suffered from broad losses. The pull back in tightening from global central banks, and the corresponding easing in credit spreads during the quarter has clearly been a challenge, but at this stage, it is too little to fundamentally change our positioning. Most, perceived "safe" equities have now moved to new extremes, the outlook for the European banking industry has actually arguably been hurt further by the change, and while more interest rate sensitive growth industries may receive some short term support we continue to believe there are limits to current expectations. Importantly as well, despite global asset price recoveries, and narrowing again in credit during the period, access to capital has actually been noticeably more challenged during the period.

In Europe the macroeconomic landscape remained on a similar trajectory, continuing to slow during the quarter, most notably in Germany and Italy, and particularly at an industrial level. Consequently inflation expectations have eased, leaving room for a more dovish tilt from the ECB and a renewed collapse in sovereign bond yields, such that during the quarter, a Swiss 10-year hit -40bp, and even a Greek 5-year bond now yields less than its US equivalent. With the services side of the economy still more resilient than the overall economy, and expectations of improved global trade following a resolution of the US / China trade dispute, consensus expectations point to a stabilisation of growth at current low levels.

At the stock level there were strong performances from Vivendi, Ericsson, KPN, Tesco, Imperial Brands, and H&M. Vivendi, the leading French media group, rose sharply as its full year results highlighted accelerating revenue trends at Universal Music driven by the continued increase in penetration of music streaming and market share gains. Second, expectations mounted over the partial monetisation of Universal Music as the sale process moved into the next phase. Ericsson, the leading telecom equipment vendor, moved up despite unscheduled restructuring charges, after reporting another improved operating performance and further evidence built regarding their strengthening position in 5G adoption. KPN, the incumbent Dutch telecom operator, saw limited fundamental change although investors reacted to speculation of a bid from Brookfield and the better prospects for market repair following the approval of the merger of DT/Tele2 in late November 2018. Tesco, the leading UK food retailer, rebounded as they reported improved Christmas trading trends, and as the proposed merger of Sainsbury's / Asda was met with surprising resistance from the UK competition authorities.

Performance

1.1% Monthly performance

-7.7% Year-to-date performance

-0.3% CAGR since inception

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

Fund details¹

€ I Class	99.20
£ I Class	101.68
Fund Size	€133 million
Strategy AUM	\$150 million
Fund Inception	04 Jan 2016
Class Inception	04 Jan 2016
Fund Type	Irish Long/Short UCITS

Fund Managers

Oliver Kelton

For full bios visit odey.com

Imperial Brands, the UK tobacco company, bounced in concert with falling bond yields, improving US volume expectations, and signs of a growing FDA resistance to the success of next generation products.

Finally, H&M moved sharply higher as their Q1 results demonstrated further signs of improved trading and better cost control than many investors had feared given the marketing push of H&M club. On the negative side, there was weak performance from EDF and Plus500. EDF, the incumbent French electricity operator, fell back as its full year results re-introduced a scrip dividend, European power prices pulled back on lower carbon prices, and the 2019 guidance demonstrated less leverage to rising power prices than many investors had anticipated. Plus500, the leading CFD operator, fell sharply as its 2019 guidance came in materially below expectations. We reduced the Fund's position in both EDF and Plus500 following the releases.

In the long book, we initiated a new position in GEA Group, the leading German processing equipment manufacturer. Despite a global market leading position in the consolidated dairy and food processing industries, a prolonged period of appalling management has left the cost base materially out of line and consequently led to a substantial underperformance of expectations over the last 3 years. With a new management team finally at the helm, limited brand damage, a healthy balance sheet, and considerable scope to improve working capital, there is a robust foundation for management to improve the return profile of the business over the next 3-5 years. Set against low expectations and a depressed valuation we believe there is exciting upside to the share price.

In general, the short portfolio suffered broad losses and we reduced the exposure to manage risk. However, notable gains were made from Metro Bank, Publicis and Wirecard. Metro Bank, the rapidly growing UK challenger bank, suffered a sharp fall as margin pressure continued to build in the UK mortgage market, and second on capital concerns. Publicis, the French advertising agency, suffered a further deterioration in growth as it continues to face disintermediation pressures from its leading FMCG clients. Finally, Wirecard, the German payment company, fell during a period of high volatility on suspicions of accounting issues in their Asian business.

In summary, the Fund performed poorly during a significant market rebound in the quarter. We made limited fundamental changes to the shape of the portfolio although reduced the gross and net exposures to manage the risk.

Oliver Kelton

ODEY EUROPEAN FOCUS ABSOLUTE RETURN FUND

ODEY
ASSET MANAGEMENT

Performance

	1-month	3-month	1-year	3-year	YTD	Since inception	CAGR since inc.
Fund	1.1	-7.7	9.2	-1.1	-7.7	-0.8	-0.3
MSCI Daily TR Net Europe	2.0	12.9	5.5	22.8	12.9	17.1	5.0
Relative	-0.9	-20.6	3.7	-23.9	-20.6	-17.9	-5.2

DISCRETE YEARLY PERFORMANCE

	1-year to	31 Mar 17	29 Mar 18	29 Mar 19
Fund		-10.2	0.8	9.2
MSCI Daily TR Net Europe		17.0	-0.4	5.5
Relative		-27.2	1.3	3.7

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-5.2	-3.8	1.1										-7.7
2018	-2.2	-0.6	1.6	1.8	-0.4	1.3	1.6	-0.4	3.3	5.4	2.8	1.8	16.8
2017	-1.7	-1.8	0.3	-1.4	2.7	-1.0	0.6	3.0	-2.3	0.6	1.6	-1.4	-1.0
2016	1.4	-1.2	0.1	-3.3	-0.4	3.3	-3.9	0.5	0.0	1.3	-2.9	-1.9	-7.0

Fund details¹

€ I Class	99.20
£ I Class	101.68
Fund Size	€133 million
Strategy AUM	\$150 million
Fund Inception	04 Jan 2016
Class Inception	04 Jan 2016
Fund Type	Irish Long/Short UCITS
Comparators	Primary: Cash Secondary: MSCI Daily TR Net Europe EUR
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
Orange	Long	8.9%
Koninklijke KPN	Long	7.5%
Vivendi	Long	6.1%
Deutsche Telekom	Long	6.1%
Telefonaktiebolaget LM Ericsson	Long	5.2%
Electricite de France	Long	4.3%
Tesco	Long	3.3%
Eurofins Scientific	Short	-3.1%
Legal & General Group	Short	-2.9%
H & M Hennes & Mauritz	Long	2.9%

Statistics

	1-year	3-year	Inception
Fund annual s.dev.	9.7	8.0	7.9
Index annual s.dev.	12.4	9.8	9.8
Alpha	1.0	0.3	0.2
Beta	-0.5	-0.5	-0.4
Correlation	-0.6	-0.6	-0.6
Sharpe Ratio	1.0	0.0	0.0
Information Ratio	0.2	-0.5	-0.5
Tracking Error	20.0	15.9	15.7

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 EUR 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

Oliver Kelton

For full bios visit [odey.com](#)

ENQUIRIES

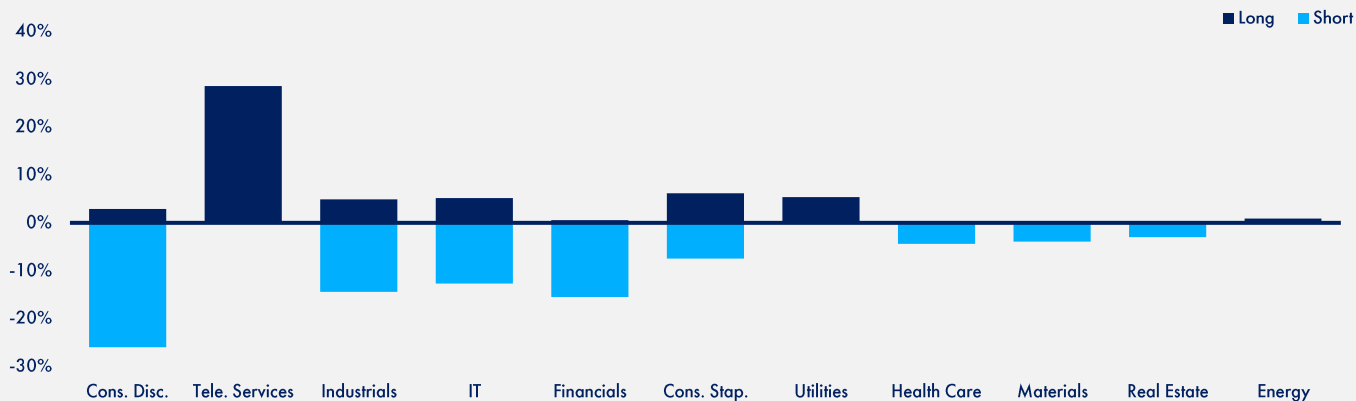
T: +44 (0)20 7208 1400

E: marketingteam@odey.com

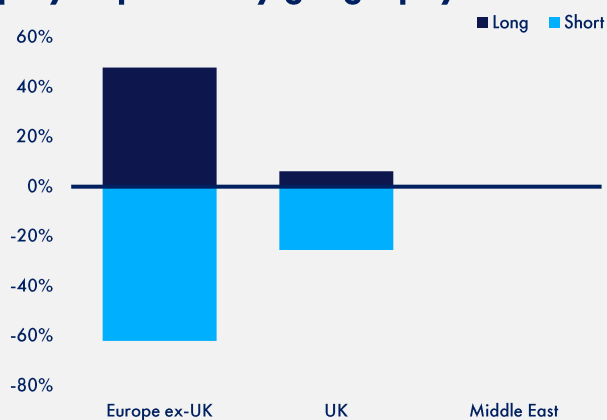
W: odey.com

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

Equity exposure by sector



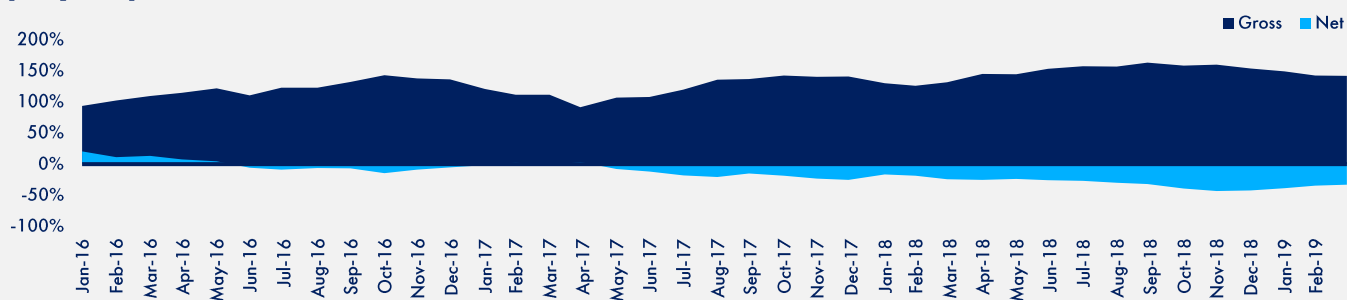
Equity exposure by geography



Non-base currency exposure



Equity exposure



ASSET ALLOCATION AS PERCENTAGE OF NAV

Long equity	54.6	Net	-32.9
Short equity	-87.4	Gross	142.0

Note: Equity exposure includes all equity related instruments. Any option positions included on a delta-adjusted basis. Currency exposure relates to exposure of all assets held by the fund, including any forward currency positions. Commentary is provided on a quarterly basis. Past performance is net of fees and other charges and includes the reinvestment of dividends. 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 29 March 2019. ¹U.S. Bank Global Fund Services (Ireland) Limited and Bloomberg, calculation on a NAV basis with net income reinvested.

Investment objective and policy

The Odey European Focus Absolute Return Fund ("The Fund") aims to provide a positive absolute return independent of market conditions over the medium to long term. The fund aims to achieve long-term capital appreciation.

APPROACH

The Fund is a concentrated, return-seeking European long-short equity strategy harnessing the expertise and judgement of the portfolio manager Oliver Kelton and the internal Odey research team. Oliver undertakes a rigorous program of meetings (>500 per year) with company management, industry specialists and local brokers to identify opportunities where a company's competitive position, industry dynamics and cash generation will drive strong share price performance. The Fund is built without formal reference to an index and typically holds 20-40 mid and large cap European companies both long and short.

RISK CONSIDERATIONS

The Fund has considerable latitude over its asset allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. 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 (€, £)	Minimum investment	I £1,000,000 (or equivalent in €)
Share class hedging	Non-base currency share classes are hedged	Dividends	Income potentially distributed on £1
Trade date (T)	Daily	Administrator	U.S. Bank Global Fund Services (Ireland) Limited
Dealing	By 2pm T-1	Auditor	Deloitte & Touche, Ireland
Valuation	Close of business T-1	Depository	J.P. Morgan Bank (Ireland) plc
Front end fee	Up to 5%	Price reporting	Prices published daily on www.odey.com , Bloomberg and by other third party data providers.
Annual management fee	1 0.75%	ISIN	€I IE00BZ1J0335, £I IE00BZ1J0228
Performance fee basis	20% of the absolute outperformance of the share class during a performance period. Fees crystallise annually, and on redemption. Underperformance is carried forward.	SEDOL	€I BZ1J033, £I BZ1J022
Anti-dilution fee	May apply to subs/reds if net subs/reds+ >5% of NAV		

Important information

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

© 2019 Odey Asset Management LLP ("OAM") has approved this communication which is for private circulation only, and in the UK is directed to persons who are professional clients or eligible counterparties for the purposes of the Conduct of Business Sourcebook of the Financial Conduct Authority of the United Kingdom (the "FCA") and it is not intended for and must not be distributed to retail clients. It does not constitute an offer to sell or an invitation to buy or invest in any of the securities or funds mentioned herein and it does not constitute a personal recommendation or investment taxation or any other advice. The tax treatment of an investment in any of the securities or funds mentioned herein depends on the individual circumstances of each investor and may be subject to change in the future. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. The capital you invest is at risk and you may lose some or all the money you invest. Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase. Investments that have an exposure to currencies other than the base currency of the Fund may be subject to exchange rate fluctuations. This communication and the information contained therein is a financial promotion for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom and the rules of the FCA. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, anyone who comes into possession of this communication should inform themselves of and observe these restrictions. OAM is not liable for a breach of such restrictions or for any losses relating to the accuracy, completeness or use of information in this communication, including any consequential loss. The Odey European Focus Absolute Return Fund is a Sub-Fund of Odey Investment Funds plc, an open-ended umbrella type investment company with segregated liability between Sub-Funds authorised by the Central Bank of Ireland pursuant to the UCITS Regulations. Please always refer to the Fund's prospectus and relevant key investor information document(s) before you invest. The Fund's prospectus and key investor information documents are available in English and may be obtained at odey.com. OAM whose company No. is OC302585 and whose registered office is at 12 Upper Grosvenor Street, London, W1K 2ND, is authorised and regulated by the FCA.

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 European Focus 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 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.