CAPITA
FINANCIAL GROUP

CF Odey Investment Funds

Annual Report and Financial Statements
31 December 2010

CF Odey Continental European Fund
CF Odey Opus Fund

AUTHORISED CORPORATE DIRECTOR ('ACD')
Capita Financial Managers Limited
Head Office:
Ibex House
42 – 47 Minories
London EC3N 1DX
Telephone: 0870 607 2555 Fax: 0870 607 2550
Email: enquiries@capitafinancial.com
(Authorised and regulated by the Financial Services Authority)

DIRECTORS OF THE ACD
C. Addenbrooke
N. Boyling (from 7 February 2011)
L. Everitt (to 18 February 2011)
C. Hayes
K.J. Midl
J. Millan
R. M. Short (from 22 November 2010)

INVESTMENT MANAGER
Odey Asset Management LLP
12 Upper Grosvenor Street
London W1K 2ND
(Authorised and regulated by the Financial Services Authority)

DEPOSITARY
BNY Mellon Trust & Depositary (UK) Limited
The Bank of New York Mellon Centre
160 Queen Victoria Street
London EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

REGISTRARS
Capita Financial Administrators Limited
Customer Service Centre:
2 The Boulevard
City West One Office Park
Gelderd Road
Leeds LS12 6NT
Telephone: 0845 922 0044 Fax: 0113 224 6001
(Authorised and regulated by the Financial Services Authority)

INDEPENDENT AUDITOR
Ernst & Young LLP
1 More London Place
London SE1 2AF

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ACD'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

On 30 March 2011, the CF Odey Continental European Fund launched two new share classes: institutional income and institutional accumulation. The existing accumulation share class has been renamed 'R' accumulation to distinguish it as retail.

The following policies have been changed effective from 1 August 2010:

- In specie redemptions;
- Large deals; and
- Investment minima.

Full details of the changes can be found in the revised Prospectus dated 21 May 2010.

CAPITA FINANCIAL MANAGERS LIMITED
ACD of CF Odey Investment Funds
19 April 2011

AUTHORISED STATUS

CF Odey Investment Funds ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC 176 and authorised by the Financial Services Authority with effect from 17 May 2002.

Shareholders are not liable for the debts of the Company. A shareholder is not liable to make any further payment to the company after he has paid the price on purchase of the shares.

It is a 'UCITS Scheme' which complies with the COLL Sourcebook and the currency of the Company is pounds sterling.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Services Authority.

K.J. MIDL

J. MILLAN

CAPITA FINANCIAL MANAGERS LIMITED
ACD of CF Odey Investment Funds
19 April 2011

STATEMENT OF ACD'S RESPONSIBILITIES

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Financial Services Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies, as described in the attached financial statements, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IMA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's Auditors are unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditors are aware of that information.

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the COLL Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers of the Company.

REPORT OF THE DEPOSITARY
FOR THE YEAR ENDED 31 DECEMBER 2010

In our opinion, during the year under review, we confirm that in all material respects the Company has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue, in accordance with the rules in the COLL Sourcebook and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company, and has observed the investment and borrowing powers and restrictions applicable to the Company.

BNY MELLON TRUST & DEPOSITARY (UK) LIMITEd
Depositary of CF Odey Investment Funds
19 April 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CF ODEY INVESTMENT FUNDS

We have audited the financial statements of CF Odey Investment Funds ('the Company') for the year ended 31 December 2010 which comprise the Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets Attributable to Shareholders, Aggregated Balance Sheet and the related notes 1 to 13, together with the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, the related notes and the Distribution Table for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR (ACD) AND AUDITORS

As explained more fully in the ACD's responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its sub-funds as at 31 December 2010 and of the net revenue and the net gains on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

OPINION ON OTHER MATTERS PRESCRIBED BY THE RULES OF THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK OF THE FINANCIAL SERVICES AUTHORITY

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

ERNST & YOUNG LLP
Statutory Auditor
London
19 April 2011

AGGREGATED FINANCIAL STATEMENTS

AGGREGATED STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	£	31.12.10 £	£	31.12.09 £
Income:					
Net capital gains	2		87,148,717		48,811,930
Revenue	3	12,740,509		11,131,106	
Expenses	4	(9,811,559)		(8,721,321)	
Finance costs: Interest	6	(14,489)		(46,138)	
Net revenue before taxation		2,914,461		2,363,647	
Taxation	5	(455,893)		(951,730)	
Net revenue after taxation			2,458,568		1,411,917
Total return before distributions			89,607,285		50,223,847
Finance costs: Distributions	6		(2,458,506)		(1,736,627)
Change in net assets attributable to shareholders from investment activities			87,148,779		48,487,220

AGGREGATED STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	£	31.12.10 £	£	31.12.09 £
Opening net assets attributable to shareholders			639,308,165		527,565,109
Amounts receivable on issue of shares		116,108,744		125,976,443	
Amounts payable on cancellation of shares		(146,635,018)		(62,636,926)	
			(30,526,274)		63,339,517
Dilution levy	1(k)		49,415		13,006
Stamp duty reserve tax	1(g)		(87,350)		(96,687)
Change in net assets attributable to shareholders from investment activities			87,148,779		48,487,220
Retained distribution on Accumulation shares			935,065		–
Closing net assets attributable to shareholders			696,827,800		639,308,165

AGGREGATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	£	31.12.10 £	£	31.12.09 £
ASSETS					
Investment assets			687,405,571		576,824,029
Other assets					
Debtors	7	2,623,030		3,334,535	
Cash and bank balances		12,577,442		67,335,284	
Total other assets			15,200,472		70,669,819
Total assets			702,606,043		647,493,848
LIABILITIES					
Other liabilities					
Creditors	8	(3,819,283)		(5,977,810)	
Bank overdrafts		(543,292)		(125,039)	
Distribution payable on Income shares		(1,415,668)		(2,082,834)	
Total other liabilities			(5,778,243)		(8,185,683)
Total liabilities			(5,778,243)		(8,185,683)
Net assets attributable to shareholders			696,827,800		639,308,165

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied in both the current and prior year, are set out below:

(a) *Basis of accounting*
The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice ('SORP') issued by the Investment Management Association in October 2010.

(b) *Basis of aggregation*
The aggregated financial statements represent the sum of the relevant items from the financial statements of the individual sub-funds within the umbrella company.

(c) *Recognition of revenue*
Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Revenue from unquoted equity investments is recognised when the dividend is declared.

Revenue on debt securities is accounted for on an effective yield basis.

Interest on bank and other cash deposits is recognised on an accruals basis.

All revenue is recognised as a gross amount that includes any withholding taxes but excludes any other taxes such as attributable tax credits.

(d) *Treatment of stock and special dividends*
The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. The tax accounting treatment follows the treatment of the principal amount.

(e) *Treatment of expenses*
All expenses, except for those relating to the purchase and sale of investments and stamp duty reserve tax, are charged against revenue.

(f) *Allocation of revenue and expenses to multiple share classes and sub-funds*
Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds.

(g) *Taxation*
Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable, by way of double tax relief.

1. ACCOUNTING POLICIES *(continued)*

(g) *Taxation (continued)*
Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp duty reserve tax suffered on surrender of shares is deducted from capital.

(h) *Distribution policy*
Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the Regulations.

(i) *Basis of valuation of investments*
Listed investments are valued at closing bid prices excluding any accrued interest in the case of fixed interest securities, on the last business day of the accounting period.

Unlisted or suspended investments are valued by the pricing committee of the ACD with advice from the Investment Manager taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

(j) *Exchange rates*
Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing exchange rates ruling on that date.

(k) *Dilution levy*
The ACD may require a dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances: where the scheme property is in continual decline; on a sub-fund experiencing large levels of net sales relative to its size; on 'large deals'; in any case where the ACD is the opinion that the interests of remaining shareholders require the imposition of a dilution levy.

(l) *Set up costs*
Initial set up costs are written off as they are incurred.

	31.12.10 £	31.12.09 £
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	81,281,202	59,833,964
Derivative contracts	–	(1,895)
Forward currency contracts	2,276,445	(8,940,071)
Transaction charges	(46,020)	(84,178)
Currency gains/(losses)	3,637,090	(1,995,890)
Net capital gains	87,148,717	48,811,930
3. REVENUE		
Non-taxable dividends	10,325,762	3,633,313
Taxable dividends	2,299,544	6,947,978
Unfranked interest	–	204,650
Bank interest	115,203	345,165
Total revenue	12,740,509	11,131,106
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	9,303,524	8,280,117
Printing costs	13,415	13,954
Registration fees	92,649	42,041
	9,409,588	8,336,112
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	148,078	137,049
Safe custody and other bank charges	223,569	217,756
	371,647	354,805
Other expenses:		
FSA fees	100	82
Fees paid to auditor – audit	18,000	17,626
– tax services	6,000	5,876
Publication costs	4,952	6,820
Legal and professional fees	1,272	–
	30,324	30,404
Total expenses	9,811,559	8,721,321

	31.12.10 £	31.12.09 £
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	455,893	1,006,214
Irrecoverable income tax	–	(54,484)
Current tax charge (note 5b)	455,893	951,730
Deferred tax – origination and reversal of timing differences	–	–
Total taxation	455,893	951,730

b) Factors affecting current tax charge for the year
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.09 : 20%) for the reasons explained below.

	31.12.10 £	31.12.09 £
Net revenue before taxation	2,914,461	2,363,647
Corporation tax at 20%	582,892	472,729
Effects of:		
Non-taxable dividends	(2,065,152)	(726,663)
Movement in revenue accruals	–	35,100
Unutilised excess management expenses	1,482,260	218,834
Corporation tax charge	–	–
Overseas tax	455,893	1,006,214
Irrecoverable income tax	–	(54,484)
Current tax charge (note 5a)	455,893	951,730

6. FINANCE COSTS

Distributions
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.12.10 £	31.12.09 £
Final	2,350,733	2,082,834

	31.12.10 £	31.12.09 £
6. FINANCE COSTS *(continued)*		
Add: Revenue deducted on cancellation of shares	600,760	193,095
Deduct: Revenue received on issue of shares	(492,987)	(539,302)
Net distributions for the year	2,458,506	1,736,627
Interest	14,489	46,138
Total finance costs	2,472,995	1,782,765
Distributions represented by:		
Net revenue after taxation	2,458,568	1,411,917
Allocations to Capital:		
Revenue deficit	–	324,700
Balance brought forward	–	10
Balance carried forward	(62)	–
Net distributions for the year	2,458,506	1,736,627
7. DEBTORS		
Amounts receivable for issue of shares	627,838	285,962
Sales awaiting settlement	–	2,143,140
Accrued revenue:		
Non-taxable dividends	346,359	289,843
Bank interest	2	34,335
	346,361	324,178
Prepaid expenses	2,852	2,912
Dilution levy	–	40
Taxation recoverable:		
Overseas withholding tax	1,645,979	578,303
Total debtors	2,623,030	3,334,535
8. CREDITORS		
Amounts payable for cancellation of shares	2,776,292	2,898,946
Purchases awaiting settlement	37,887	2,183,936

	31.12.10 £	31.12.09 £
8. CREDITORS *(continued)*		
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	874,963	814,797
Printing costs	6,329	7,335
Registration fees	22,466	–
	903,758	822,132
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	13,240	12,498
Transaction charges	9,739	2,326
Safe custody and other bank charges	41,777	20,033
Interest payable	1,209	483
	65,965	35,340
Other expenses	29,876	23,562
Taxation payable:		
Overseas tax	–	1,272
Stamp duty reserve tax	5,505	12,622
	5,505	13,894
Total creditors	3,819,283	5,977,810

9. RELATED PARTY TRANSACTIONS

Management fees payable to Capita Financial Managers Limited ('the ACD') and registration fees payable to Capita Financial Administrators Limited and printing costs payable to Capita Business Services Limited (both companies are associates of the ACD) are disclosed in note 4 and amounts due at the year end are disclosed in note 8.

The aggregate monies received by the ACD through the issue of shares and paid on cancellation of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 8. The amounts outstanding at the year end in respect of these monies are shown in note 8.

10. SHAREHOLDER FUNDS

The Company has two share classes in issue: Accumulation and Income. The annual ACD charge on those shares is 1.5%.

The net asset value, the net asset value per share and the number of shares in issue are given in the Fund Information of each sub-fund.

11. CONTINGENT LIABILITIES AND COMMITMENTS

Disclosure is made in note 11 of the Notes to Financial Statements of the sub-funds.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the investment objectives a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Company's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

i. *Credit risk*
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

ii. *Interest rate risk*
Interest rate risk is the risk that the value of the Company's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in the interest rate environment, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates.

Numerical disclosure of the interest rate risk profile is made in note 12 of the Notes to the Financial Statements of the sub-funds.

iii. *Foreign currency risk*
Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value.

Numerical disclosure of the foreign currency risk profile is made in note 12 of the Notes to the Financial Statements of the sub-funds.

iv. *Liquidity risk*
The main liability of the Company is the cancellation of any shares that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Company's assets consist of readily realisable securities.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

v. *Market price risk*
Market price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds.

Market price risk represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Company's investment portfolio's are exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objectives and policies. For an equity portfolio the risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

vi. *Fair value of financial assets and financial liabilities*
There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

vii. *Sensitivity analysis*
Disclosure is made in note 12 of the Notes to the Financial Statements of the sub-funds.

13. PORTFOLIO TRANSACTION COSTS

Disclosure is made in note 13 of the Notes to the Financial Statements of the sub-funds.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the CF Odey Continental European Fund ('the Fund') is to achieve long term capital appreciation through investing primarily in quoted securities issued by companies with principal offices in Continental Europe. The normal policy of the Fund is to invest in a broad spread of equities but the Fund may also invest in government bonds, other fixed interest securities and preferred stocks if in the opinion of the ACD and the Investment Manager this is appropriate to the goal of maximising capital growth.

There will be no predetermined orientation towards or emphasis on any particular industrial or economic sector. The Investment Manager may avail himself of those currency hedging and EPM facilities available within the Regulations.

The benchmark is the MSCI Total Return net Europe Excluding UK (£) Index against which the Fund's performance is measured.

SUMMARY OF FUND PERFORMANCE

The Fund returned +19.06% against an MSCI Total Return net Europe (ex UK) Index return of +5.20%.

Positive outperformance for the year was achieved primarily thanks to holdings in Consumer Durables and Consumer Non-Durables.

The best individual stock performers of the year were Compagnie Financiere Richemont (+4.74%), Swatch (+2.33%) and LVMH Moët Hennessy Louis Vuitton (+1.87%). The worst contributors were Technip (-0.94%), Sky Deutschland (-0.89%) and Credit Suisse (-0.60%).

INVESTMENT MANAGER'S MONTHLY REPORT

JANUARY

Torporific equity markets are symptomatic of a market that is undecided. Trouble in Greece coupled with the increasing pugilism of state regulators towards the banking industry has dented sentiment. However, to my mind, these topics are not the central issue.

China is raising rates and the developed world is feeling the heat. Just as last year the butterfly effect of superfluous liquidity carried all assets higher with China leading, so too the reversal of this vector has as its corollary the demise of the weakest regions. It is no surprise that the 'PIGS' are squealing.

At the corporate level rising raw material costs have tempered the ebullience of operational leverage even as volumes return. Markets already price in recovery this year.

2009 was all about paying up for promise. 2010 is all about delivery. This is the domain of the stock picker. Gains will be hard fought this year.

Bring on the battle.

FEBRUARY

Economic muddle through remains the most likely outcome for this year. Troubles in Greece are being allayed; worries over harsh regulatory measures for the banking industry are being smoothed and there are mild downgrades to European, UK and US housing. With global economic growth broadly on track, all this provides sufficient fuel for both bulls and bears to necessitate a dull equity market in 2010.

Bulls are encouraged by this status quo and the order that low interest rates bring, whilst bears point to a postponement rather than a resolution of their day of reckoning. To my mind Chinese tightening and its implication for global cost of capital is the most pertinent risk. However valuation remains sufficiently compelling to permit cautious optimism towards the cult of equity and the ability of that asset class to compound earnings over a multi year period. The optionality lies in the duration of earnings growth, with markets distrustful of anything beyond 2010. In many ways this mistrust is well founded as a plethora of company visits through February revealed the return of cost inflation to the corporate P&L. Happily, positions in the portfolio have reported well over the period, with Richemont continuing to capture the hearts and wallets of the emerging middle classes; whilst Anheuser remains committed to extracting the profit potential from consolidation. Both are examples of the central pillar of the portfolio this year: companies that have exited this recession stronger, fitter and with higher market share. This thematic has broadly been working and we remain confident of the prospects for the Fund in 2010.

MARCH

My contention has been that 2004 provides a useful paradigm for considering the current equity climate, in so far as structural earnings growth rather than changes in risk premia will frame the investment debate. Equities look decent value particularly when compared to other asset classes and uniquely offer investors the chance to compound their cash flows into perpetuity, rather than the moribund coupon clipping offered by property or bonds today.

Within this framework European equities look particularly attractive as they allow investors the opportunity to acquire global franchises such as ABI (Budweiser) or Richemont (Cartier) at a dramatic discount to their US peers. Such valuation arbitrages rarely last for long – hence our enthusiasm. It is easy to be sidelined by headlines about Greece or Spain but this is to miss the point of the truly global opportunity set represented by many European listed equities.

This thematic of structural growth has been working well and the Fund has been positioned, pretty much all year, in the following areas: luxury, oil services, brewers, the 'cashflow compound club' and unique special situation cases – all of which share the robust characteristic of market share gains through this recession and beyond.

APRIL

Greek headlines have dominated a volatile month in equity markets. Echoing the banking crisis of 2009, the problems of Greece embrace both liquidity and solvency. Too much debt. An over-reliance on access to foreign capital. Too hefty a short term refinancing schedule. Northern Rock redux on a sovereign scale?

However, Greece is not Europe. The bold numbers illustrate this point. Whilst Greek debt to GDP stands at 120%, a similarly implicated country such as Spain comes in at only 67%, likewise 80% of Greek debt is in foreign hands, whereas Spain at 50% relies much less heavily on foreign sponsorship. Trouble in the Med? Certainly. Contagion? Not necessarily. Unlike the banking crisis of 2009 where all medicine was experimental, today's central bankers are now seasoned practitioners in administering the solvency cure: $750 billion goes a long way in this regard.

Outside of the PIGS, a weakening euro is manna to export led Germany, where recent port data looks pregnant with activity, rivalling Taiwan or Korea in terms of growth. The same is true of the jovial Scandinavians' and Norway above all, where DNB Bank continues to thrive.

APRIL *(continued)*
Happily, the 'European' discount allows investors to pick up international assets with a European listing at much cheaper prices than their global equivalent. What has Budweiser or Brazil to do with Belgium? Yet for Anheuser a listing on the Benelux bourse has opened up an appealing value arbitrage. Therein lies the opportunity of investing in Europe, the chance to purchase global franchises at compelling valuations. The UK similarly looks very cheap as electoral angst allows for value to emerge. Expect cool Britannia to continue to receive bids from abroad. A solipsistic sterling, harried by this year's unlikely alliance at the Eton-v-Westminster Old Boys cricket match, allows for an orgy of value to emerge for the astute foreign buyer.

In terms of portfolio construction we continue to run with the five thematics outlined in the recent quarterly conference call and view market set backs as a ripe opportunity to add to these names.

MAY
The vocabulary of the market has been bearish through May. 'Sell first ask questions later' has become the vernacular du jour. Lessons overlearnt post-Lehmans coupled with continued pressures in the Med have made it easy to be fearful. To my mind this has created opportunity.

Proponents of the double dip scenario sing from every street corner, but a market on 10x forward earnings is hardly priced for sunshine. Yet after a month of meetings with my portfolio of companies I find it hard not to be sunny. Upgrades abound. The market only tends to ignore this for so long: 3-6 months as a recent Redburn study has shown. Buying the dips sounds like a mantra from the nineties. Yet isn't that the point; in an environment of low interest rates and low inflation equities will achieve what other asset classes will fail to match; the ability to compound cashflows at an attractive rate of return. Inherent in that proposition is the fact that equities are a volatile asset class. Embrace that volatility. At this point in the profit cycle, equity volatility is friend not foe.

As the market wipes $80 billion off the value of BP, ascribing at zero the US assets, it encapsulates the investment zeitgeist: investors are wary; profits are politicized; regulation is rife. Why buy? Yet surely the real lesson of BP is that cash rich corporates cut costs too deeply in 2009. As that spending returns the industrial cycle is likely to gain strength. Granted, credit contagion is a risk to my view of a multiyear profit cycle, but unlike the financial unwind of 2008, it is a risk well calibrated by central authorities. Witness the introduction of a $ swap line by the ECB – a mechanism to ensure ample access to dollars by Europe's financial institutions.

To my eyes, the market's moodiness is down to a good old fashioned inventory cycle. It's Summer. Seasonally, industry winds down. Asian factories stop buying until September. Couple this with Chinese tightening measures and it is easy to overlay structural pessimism on to a calendar event. Global trade is booming. The strong are getting stronger – a theme we have discussed at length in previous letters. I continue to be a buyer of this dip.

JUNE
Double dip apologists revel in both the flattening yield curve and fading lead indicators.

Their view is that deflationary forces and debt repayment will overwhelm. Even Dr Copper has joined the dark side as Chinese tightening tempers its white hot demand for the red metal. However, valuation plays a central role in my still bullish script.

On 1.1 x book value, markets are pricing in mid-winter, whereas from my windows it feels quite sunny, as the bain-marie of low rates and contained inflation provides an equity friendly amnion for positive returns.

Beyond the miscellany of earnings upgrades, which continue to encourage, I see, on a quarterly basis, the strong getting stronger in terms of franchise, margin and market share: witness Richemont's recent report.

This is grist to my structural growth mill, a key tenet within the portfolio. Even in an environment of anaemic growth, after just three quarters, this profit cycle still remains in its infancy. It is simply too early to be a structural bear, particularly given the valuation starting point, the improving picture from the ground and the ability of our assets to compound cash flows over a multi-year period. I remain a constructive buyer of this wall of worry.

JULY
Central authorities showed their hand in July, with the Stress Tests a minor victory for the technocrats. It is now clear that, for policy makers, fiscal austerity trumps financial reform. The patient is too sick to survive a bout of belt tightening without medication. Therefore rates will remain low and financial regulation will remain light. This is very good news for European equities. To this end, Basel III has been crucial in removing a significant tail risk to this recovery – that of paralyses in the banking system. Basel III, once touted as the poster child for the new world of financial vigilance, has been diluted to such an extent that even the weakest bank has space to breathe and maybe even to lend again.

The implications are significant for the equity market bull case. The discount attached to regulatory pugilism can now dissipate. With the removal of this overhang markets should continue to re-rate and credit markets can function more consistently. Whilst supportive, my central bull case remains one of valuation, with cash yielding zero, equities offer phenomenal carry and the IRR on share buybacks is highly accretive. In the land of low returns compounding is king.

The market narrative over the last six months has been one of slowing growth. With last year's stimulus packages ended and inventory re-stocking largely done, G7 economies are migrating towards a more torporous growth trajectory. Markets tend to stutter as rates of economic growth decelerate. Hence the sideways indices we have seen to date.

However to my mind the market continues to ignore the perpetuity characteristic of the corporate cash flows in which the Fund is invested. This provides the opportunity to collect exceptional long duration assets at exceptionally cheap prices – the luxury goods sector, highlighted in previous letters, is as good an example of this. Least we forget global GDP still stands at +4.5%. The positioning of the Fund has remained consistent since the start of the year with a positive bias towards undervalued growth and towards franchises who exit this recession stronger, fitter and with expanded market share. I remain bullish.

AUGUST
Yesterday's (13-Sept-10) industrial production data from China clearly showed that, after several sagging months, we have passed the trough in economic activity for that region. A firm bottom in China largely eliminates a key component of the 'double dip' bear case and should allow range bound Mr Market to make positive progress from here.

AUGUST *(continued)*
Our thesis has been of strong global growth powered by exceptionally low interest rates, contained inflation and benign central authorities. A profit cycle that began in Q2-09 still has further to run as typically the journey length from trough to peak in profits is a three year phenomenon. If the stylised sequence of high profits leading to capex- leading to employment holds, it is too early to be bearish. Within this mix Europe looks particularly appealing with valuation some 25% below historic averages. Furthermore Northern Europe, in the shape of Germany and Scandinavia, continue to champion an export driven model which expedites GDP growth rates not dissimilar to that of the Asian tigers.

The bias within our portfolio remains in companies that have exited the recession stronger, fitter and with expanded market shares in product categories that are participative of structural growth. Illustrative of this theme are the consumer facing luxury goods companies who manufacture in the west and sell to the east. Wage friendly government policies provide much muscle to the 'middle class aspirational' spending of emerging market citizens, as evidenced most recently by Richemont's half yearly sales update.

We remain bullish.

SEPTEMBER
Confounding the sceptics, European economic growth continues to surprise on the upside. Even a terrible Greek mezze can do little to detract from the Eurozone's master chef – the German growth engine. As unemployment in Germany falls this month to pre-crisis levels, with consumer confidence making new highs and the surging export sector singing from the hymn sheet of 'vorsprung durch technik,' it is hard not to be bullish of Europe.

Today's low level of interest rates has engendered monetary conditions which are essential for Spain, but inappropriately low for booming Germany. This 'tale of two cities' is totemic of the global macro picture. Structural penury in the US jobs market is forcing the Fed to embark on renewed quantative easing. The corollary of this is that, thanks to the transmission mechanism of the currency peg, awash with liquidity, QE2 will promptly sail to dollar pegged Asian shores. This bodes well for global growth. This is Valhalla for export oriented Scandinavia. This is gold dust for the European luxury goods sector, whose exposure to the emerging market consumer is leading to a structurally higher level of top line élan. Indeed recent jewellery sales data from China's Golden Week holiday are up 60% year on year, a favourable nod for the fortunes of both Swatch and Richemont.

Throughout the year the Fund has maintained its bullish tack. Our view is that through this recession the strongest European franchises have significantly enhanced their economic moats and yet are valued at significant discounts to their global peers. Examples include brewers, luxury goods, Swedish industrials, selective oil services and finally the compound club. Meaningful upside remains within these areas.

OCTOBER
Sovereign risk is front page news again. Ireland, not Greece, is facing this week's X-factor elimination. Headmistress Merkel has warned that principal and not just coupon are now at jeopardy for bondholders of piglet paper and that Germany will no longer provide a risk free guarantee. To the bond fund manager a discount to face is synonymous with a loss of face and hence an eagerness to sell spreads even as they widen, leading to today's self perpetuating Irish stew and a more fearful tone to equity markets.

However, to my mind an obsession with Eurovision is to risk tunnel vision. The real story in Europe is the boom in Germany. On the same day that Irish CDS spreads make the FT front page, blowout German GDP numbers are relegated to the back page. Yet, which is more relevant to European growth? German unemployment is at record lows as the paradigm of productivity coupled with a highly stimulative interest rate environment is powering the engine of Europe. This is likewise for Scandinavia where the strength of the domestic economy echoes the boom in their exports. Ways to play this include the Norwegian and Swedish banks or domestic telecom assets.

We remain bullish despite the strong run in equities over the last few months. Our central thesis is that European equities represent a cheap and compelling way to play global growth through sectors such as luxury goods. In contrast to the Footsie investor who readily accepts that the UK economy has little impact on, say, Rio Tinto's prospects; the European investor has yet to make that hermeneutic journey in stocks such as Richemont. This provides the opportunity to invest in strong, global franchises that trade at discounts to international peers at a time when core Europe is itself outperforming driven by a Northern European boom and benign monetary policy.

NOVEMBER
November proved a good month for the bulls. We have been bullish. We had a good month.

Strong macro economic data both from Asia and the US allowed Eurozone angst to be confined to the parochial rather than the pandemic. Interest rates are low. Inflation is contained. Global GDP is accelerating. Valuations are cheap. And as we enter 2011, on the global stage, European equities look particularly compelling. The case is a clear one. Consensus is underweight Europe on fears of sovereign risk. This provides opportunity. Under the bonnet of Germany, Northern Europe is booming. German unemployment is at record lows. Consumer confidence at record highs. Ironically, such is the gravitational pull of Germany's current economic strength that even Southern Europe might be dragged out of recession – but that will be a story for 2012.

Germany and Sweden were amongst the best performing stock markets in 2010. I suspect that 2011 will bear similar fortunes for the selective investor.

The Fund enters 2011 exposed to areas of structural growth including luxury goods, beneficiaries of global capex, domestic Scandanavia, special situations and the compound club. All of which have exited this recession with expanded market share and increased pools of economic profit.

DECEMBER
European earnings troughed in Q2 2009. This earnings cycle is still in its infancy. We are only in year two. Typically at this point in the cycle, operational leverage is magnified and earnings accelerate upwards. Why?

Only after a period of relative stability of demand do cash rich corporates garner the confidence to commit to expansion. Demand breeds demand. Better visibility and benign credit markets foster the return of M&A activity (viz Danisco last week, 10-Jan-11). The Merton model reigns supreme. Lower volatility and higher visibility argue for re-rating.

DECEMBER *(continued)*
In Europe this is all the more true as sovereign concerns have obfuscated from investors the real earnings power of Europe's strongest international franchises, primarily in the industrial and consumer discretionary arena. The Fund remains concentrated on those European companies with best in class market shares and margin structures, whose participation on the global stage allows for rates of growth superior to the broader European equity market.

Our recent trip to China proved instructive in this regard. Visits to shopping centres in the Xidan district and the Chaoyang district of Beijing as well as to Shin Kong all illustrated the powerful economics of European luxury vendors in China. Here, sales densities that would make Bond Street blush played off cost bases that would make the capitalist proud. The story is one of a rapidly expanding middle class cadre swapping Mao for Mammon as privatisations, government contracts and property rights line the wallets of an aspirant nouveau riche consumer. As evidenced by Burberry's results this morning (18-Jan-11), this trend has much, much further to run.

Feras Al-Chalabi
ODEY ASSET MANAGEMENT LLP
Investment Manager
21 February 2011

FUND INFORMATION

PERFORMANCE RECORD

'R' Accumulation shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2006	447.24	356.61	4.6402
2007	509.45	430.42	4.7838
2008	561.63	408.64	–
2009	571.44	391.52	4.4001
2010	612.15	448.91	1.3618

NET ASSET VALUE

Date	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.12.08	356,689,287	72,593,523	491.35
31.12.09	394,708,367	77,773,284	507.51
31.12.10	414,897,600	68,663,877	604.24

TOTAL EXPENSE RATIO

Expense Type	31.12.10 %	31.12.09 %
ACD's periodic charge	1.50	1.50
Other expenses	0.09	0.09
Total expense ratio	1.59	1.59

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditors, printing and publication costs, registration fees and safe custody and other related bank charges.

FUND PERFORMANCE TO 31 DECEMBER 2010 (%)

	1 year	3 years	5 years
CF Odey Continental European Fund	19.06	18.69	58.16
MSCI Total Return net Europe (ex-UK) Index#	5.20	-6.75	27.69

 # Source: Bloomberg.

The performance of the Fund is based on the net asset value per 'R' Accumulation share which includes reinvested income.

Details of the distributions per share for the year are shown in the Distribution Table on page 41.

PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2010

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	EQUITIES			
	AUSTRIA			
11,882	Andritz	700,567	0.17	0.10
	BELGIUM			
360,200	Anheuser-Busch InBev	13,209,792	3.18	
89,000	Nyrstar	854,115	0.21	
172,800	Telenet Group Holding	4,316,093	1.04	
107,400	Umicore	3,579,830	0.86	
	TOTAL BELGIUM	21,959,830	5.29	4.62
	DENMARK			
108,900	FLSmidth	6,648,961	1.60	
70,200	Novo Nordisk	5,077,140	1.23	
	TOTAL DENMARK	11,726,101	2.83	1.57
	FINLAND			
288,200	Metso Corporation	10,314,946	2.49	
239,600	Nokian Renkaat	5,633,515	1.36	
117,207	Wartsila	5,734,534	1.38	
	TOTAL FINLAND	21,682,995	5.23	2.01
	FRANCE			
107,500	Arkema	4,955,634	1.20	
112,387	Bureau Veritas	5,450,559	1.31	
240,193	LVMH Moët Hennessy Louis Vuitton	25,335,350	6.11	
89,600	PPR	9,136,155	2.20	
72,300	Remy Cointreau	3,259,231	0.79	
283,204	Rhodia	5,992,622	1.44	
	TOTAL FRANCE	54,129,551	13.05	12.56
	GERMANY			
72,697	Axel Springer	7,599,496	1.83	
237,940	BASF	12,206,333	2.94	
267,822	Bayerische Motoren Werke	13,514,386	3.26	
106,500	Daimler	4,638,507	1.12	
40,927	Fuchs Petrolub	3,864,560	0.93	
112,629	Henkel	4,463,930	1.08	

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	GERMANY *(continued)*			
999,000	Infineon Technologies	5,990,291	1.44	
144,800	Lanxess	7,276,878	1.75	
75,000	Linde	7,316,490	1.76	
50,200	MAN	3,836,870	0.93	
150,700	Siemens	12,010,232	2.89	
3,818,706	Sky Deutschland	5,497,105	1.33	
110,419	Symrise	1,932,004	0.47	
39,444	Volkswagen	4,109,822	0.99	
	TOTAL GERMANY	94,256,904	22.72	9.42
	ITALY			
465,800	Bulgari	3,204,967	0.77	
167,100	Saipem	5,240,419	1.26	
	TOTAL ITALY	8,445,386	2.03	2.19
	LUXEMBOURG			
264,200	Tenaris	4,147,313	1.00	2.06
	NETHERLANDS	–	–	8.33
	NORWAY			
886,200	DnB NOR	7,975,472	1.92	
786,700	Telenor	8,195,175	1.98	
	TOTAL NORWAY	16,170,647	3.90	9.20
	PORTUGAL			
402,000	Jeronimo Martins	3,926,806	0.95	2.04
	SPAIN			
305,100	Inditex	14,647,764	3.53	
200,692	Tecnicas Reunidas	8,188,085	1.97	
	TOTAL SPAIN	22,835,849	5.50	4.06
	SWEDEN			
278,600	Assa Abloy	5,015,805	1.21	
1,103,400	Atlas Copco	17,789,556	4.29	
93,892	CDON Group	277,421	0.07	
1,090,598	Hexagon	14,948,610	3.60	

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	SWEDEN *(continued)*			
93,900	Modern Times Group	3,969,866	0.95	
339,800	Sandvik	4,232,299	1.02	
664,600	Swedish Match	12,293,529	2.96	
678,300	TeliaSonera	3,434,783	0.83	
	TOTAL SWEDEN	61,961,869	14.93	8.05
	SWITZERLAND			
945,700	Compagnie Financiere Richemont	35,641,608	8.59	
86,939	Dufry Group	7,494,393	1.80	
112,580	Nestlé	4,223,637	1.02	
3,600	SGS	3,870,496	0.93	
89,770	Swatch Group (The)	25,626,642	6.18	
173,061	Temenos Group	4,601,211	1.11	
	TOTAL SWITZERLAND	81,457,987	19.63	22.39
	UNITED KINGDOM	–	–	2.92
	COMMODITIES	–	–	4.35
	Portfolio of investments	403,401,805	97.23	95.87
	Net other assets	11,495,795	2.77	4.13
	Net assets	414,897,600	100.00	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

Total purchases for the year (note 13) **£647,912,755**

Major purchases	Cost £
BASF	23,174,588
Inditex	21,334,775
LVMH Moët Hennessy Louis Vuitton	20,130,412
Telefonaktiebolaget LM Ericsson	19,529,800
Atlas Copco	16,016,653
Swatch Group (The)	14,426,015
Siemens	14,302,917
Novartis	14,276,085
Nestlé	14,082,108
DnB NOR	14,006,708
Bayerische Motoren Werke	13,564,482
Technip	13,258,209
PPR	12,268,643
Credit Suisse Group	12,076,260
Compagnie Financiere Richemont	11,689,498
Barclays	11,442,290
BNP Paribas	10,692,420
Unibail-Rodamco	10,217,291
Koninklijke Philips Electronics	10,117,589
Saipem	9,920,489

Total sales for the year (note 13) **£675,621,030**

Major sales	Proceeds £
Nestlé	30,339,443
Novartis	30,063,464
Subsea 7	19,788,669
Telefonaktiebolaget LM Ericsson	19,093,741
BNP Paribas	17,524,717
Gold Bullion Securities	17,053,508
Yara International	16,438,569
Sanofi-Aventis	16,411,447
Heineken	15,958,856
BASF	15,316,507
Technip	14,436,610
Roche Holdings	13,882,922
Credit Suisse Group	13,344,530
Petroleum Geo-Services	13,295,030
Syngenta	11,825,843
L'Oreal	11,459,529
Barclays	10,794,438
Koninklijke Philips Electronics	9,881,335
Unibail-Rodamco	9,855,268
Saipem	8,964,015

The portfolio changes represent the 20 largest purchases and sales during the year.

CF ODEY CONTINENTAL EUROPEAN FUND
FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31.12.10 £	31.12.10 £	31.12.09 £	31.12.09 £
Income:					
Net capital gains	2		60,362,398		11,833,702
Revenue	3	7,077,820		5,918,611	
Expenses	4	(5,700,814)		(5,488,616)	
Finance costs: Interest	6	(10,149)		(45,465)	
Net revenue before taxation		1,366,857		384,530	
Taxation	5	(282,876)		(709,236)	
Net revenue/(expense) after taxation			1,083,981		(324,706)
Total return before distributions			61,446,379		11,508,996
Finance costs: Distributions	6		(1,083,920)		–
Change in net assets attributable to shareholders from investment activities			60,362,459		11,508,996

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31.12.10 £	31.12.10 £	31.12.09 £	31.12.09 £
Opening net assets attributable to shareholders			394,708,367		356,689,287
Amounts receivable on issue of shares		56,510,041		66,252,971	
Amounts payable on cancellation of shares		(97,662,727)		(39,719,885)	
			(41,152,686)		26,533,086
Dilution levy	1(k)		49,415		324
Stamp duty reserve tax	1(g)		(5,020)		(23,326)
Change in net assets attributable to shareholders from investment activities			60,362,459		11,508,996
Retained distribution on Accumulation shares			935,065		–
Closing net assets attributable to shareholders			414,897,600		394,708,367

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	31.12.10 £	31.12.10 £	31.12.09 £	31.12.09 £
ASSETS					
Investment assets			403,401,805		378,283,602
Other assets					
Debtors	7	1,849,944		2,788,988	
Cash and bank balances		10,303,841		19,205,199	
Total other assets			12,153,785		21,994,187
Total assets			415,555,590		400,277,789
LIABILITIES					
Other liabilities					
Creditors	8	(626,300)		(5,444,383)	
Bank overdrafts		(31,690)		(125,039)	
Total other liabilities			(657,990)		(5,569,422)
Total liabilities			(657,990)		(5,569,422)
Net assets attributable to shareholders			414,897,600		394,708,367

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.12.10 £	31.12.09 £
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	54,193,814	20,212,020
Derivative contracts	–	(1,895)
Forward currency contracts	2,276,445	(8,940,071)
Transaction charges	(34,762)	(71,163)
Currency gains	3,926,901	634,811
Net capital gains	60,362,398	11,833,702
3. REVENUE		
Non-taxable dividends	5,640,730	779,613
Taxable dividends	1,351,654	4,933,493
Unfranked interest	–	22,267
Bank interest	85,436	170,773
Margin interest	–	12,465
Total revenue	7,077,820	5,918,611
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	5,376,299	5,190,356
Printing costs	6,338	7,425
Registration fees	63,800	30,320
	5,446,437	5,228,101
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	79,714	76,593
Safe custody and other bank charges	159,501	168,722
	239,215	245,315

	31.12.10 £	31.12.09 £
4. EXPENSES *(continued)*		
Other expenses:		
FSA fees	50	41
Fees paid to auditor – audit	9,000	8,813
– tax services	3,000	2,938
Publication costs	2,476	3,408
Legal and professional fees	636	–
	15,162	15,200
Total expenses	5,700,814	5,488,616
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	282,876	742,031
Adjustments in respect of prior periods	–	(32,795)
Current tax charge (note 5b)	282,876	709,236
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	282,876	709,236

b) Factors affecting current tax charge for the year
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.09 : 20%) for the reasons explained below.

	31.12.10 £	31.12.09 £
Net revenue before taxation	1,366,857	384,530
Corporation tax at 20%	273,371	76,906
Effects of:		
Non-taxable dividends	(1,128,146)	(155,923)
Movement in revenue accruals	–	30,759
Unutilised excess management expenses	854,775	48,258
Corporation tax charge	–	–
Overseas tax	282,876	742,031
Adjustments in respect of prior periods	–	(32,795)
Current tax charge (note 5a)	282,876	709,236

5. TAXATION *(continued)*

c) Deferred tax
At the year end there is a potential deferred tax asset of £1,026,224 (31.12.09 : £176,331) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior period.

6. FINANCE COSTS

Distributions
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.12.10 £	**31.12.09** £
Final	935,065	–
Add: Revenue deducted on cancellation of shares	323,082	–
Deduct: Revenue received on issue of shares	(174,227)	–
Net distributions for the year	1,083,920	–
Interest	10,149	45,465
Total finance costs	1,094,069	45,465

Details of the distributions per share are set out in the table on page 41.

	31.12.10 £	**31.12.09** £
Distributions represented by:		
Net revenue/(expense) after taxation	1,083,981	(324,706)
Allocations to Capital:		
Revenue deficit	–	324,700
Balance brought forward	–	6
Balance carried forward	(61)	–
Net distributions for the year	1,083,920	–

7. DEBTORS

	31.12.10 £	**31.12.09** £
Amounts receivable for issue of shares	611,704	191,796
Sales awaiting settlement	–	2,143,140
Accrued revenue:		
Bank interest	1	13,503
Prepaid expenses	1,426	1,456
Dilution levy	–	40
Taxation recoverable:		
Overseas withholding tax	1,236,813	439,053
Total debtors	1,849,944	2,788,988

8. CREDITORS

	31.12.10 £	**31.12.09** £
Amounts payable for cancellation of shares	–	2,717,065
Purchases awaiting settlement	37,887	2,183,936
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	510,133	501,716
Printing costs	3,194	3,965
Registration fees	15,415	–
	528,742	505,681
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	7,189	6,972
Transaction charges	7,529	2,036
Safe custody and other bank charges	29,402	15,428
Interest payable	471	483
	44,591	24,919
Other expenses	14,938	11,781
Taxation payable:		
Stamp duty reserve tax	142	1,001
Total creditors	626,300	5,444,383

9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments at the balance sheet date (31.12.09 : none).

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

ii. Interest rate risk
The table below shows the interest rate risk profile:

	31.12.10 £	31.12.09 £
Floating rate assets:		
Canadian dollars	737	677
Danish krone	217	311
Euros	1,047	17,188,876
Mexican pesos	–	18
Norwegian krone	116	29
Swedish krona	128	55
Swiss francs	1,028	9,321
US dollars	206	996
Pounds sterling	10,300,362	2,004,916
	10,303,841	19,205,199
Floating rate liabilities:		
Euros	(31,690)	–
Pounds sterling	–	(125,039)
	(31,690)	(125,039)
Assets on which interest is not paid:		
Danish krone	11,726,101	6,219,176
Euros	232,423,408	181,307,507
Norwegian krone	16,495,817	55,891,509
Swedish krona	61,961,870	31,716,884
Swiss francs	82,031,423	88,561,783
US dollars	–	17,168,439
Pounds sterling	613,130	207,292
	405,251,749	381,072,590

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

	31.12.10 £	31.12.09 £
ii. Interest rate risk (continued)		
Liabilities on which interest is not paid:		
Euros	(37,887)	(13,936)
Norwegian krone	–	(464)
Swiss francs	–	(18)
Pounds sterling	(588,413)	(5,429,965)
	(626,300)	(5,444,383)
Net assets	414,897,600	394,708,367

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to UK LIBOR or its international equivalents.

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities, which do not have maturity dates.

iii. Foreign currency risk
The table below shows the foreign currency risk profile:

	31.12.10 £	31.12.09 £
Currency:		
Canadian dollars	737	677
Danish krone	11,726,318	6,219,487
Euros	232,354,878	198,482,447
Mexican pesos	–	18
Norwegian krone	16,495,933	55,891,074
Swedish krona	61,961,998	31,716,939
Swiss francs	82,032,451	88,571,086
US dollars	206	17,169,435
	404,572,521	398,051,163
Pounds sterling	10,325,079	(3,342,796)
Net assets	414,897,600	394,708,367

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

vii. Sensitivity analysis
The Investment Manager has the power to manage exposure to currency movements by using forward foreign currency contracts. Details of the holdings of such instruments, the net exposure to foreign currencies as at the balance sheet date, and details of the total gains/(losses) on forward currency contracts during the year are set out in the Portfolio Statement, note 11iii and note 2, respectively. The intention in using the forward currency contracts is to reduce the risk profile of the Fund by managing the exposure of the Fund to foreign exchange risk and leave the Fund primarily exposed to the underlying market risk of overseas investments. Therefore where the value of overseas investments falls due to currency movements, the forward currency contracts generate a gain and vice versa. The Investment Manager will only engage in currency hedging when they consider such hedging to be in the interests of efficient portfolio management.

	31.12.10 £	**31.12.09** £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	646,956,392	1,731,815,087
Transaction costs:		
Commissions	899,320	2,423,427
Stamp duty and other charges	57,043	136,912
	956,363	2,560,339
Gross purchases total	647,912,755	1,734,375,426
Analysis of total sale costs		
Gross sales before transaction costs	676,562,672	1,671,348,958
Transaction costs:		
Commissions	(941,023)	(2,318,271)
Other charges	(619)	(51,992)
	(941,642)	(2,370,263)
Total sales net of transaction costs	675,621,030	1,668,978,695

DISTRIBUTION TABLE
FOR THE YEAR ENDED 31 DECEMBER 2010 – IN PENCE PER SHARE

Interim
No interim distribution was paid in the current or prior period.

Final
Group 1 – Shares purchased prior to 1 July 2010
Group 2 – Shares purchased on or after 1 July 2010 and on or before 31 December 2010

'R' Accumulation Shares	**Net Revenue**	**Equalisation**	**Payable 28.02.11**	**Paid 28.02.10**
Group 1	1.3618	–	1.3618	–
Group 2	–	1.3618	1.3618	–

EQUALISATION
Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the CF Odey Opus Fund ('the Fund') is to achieve long term capital growth primarily through investment in quoted equity and fixed interest stocks throughout the world.

MSCI World Index (CR USD converted to GBP) will be the benchmark comparison against which the Fund's performance is measured.

SUMMARY OF FUND PERFORMANCE

The Fund returned +10.35% (£) compared with an MSCI World Index return of +9.55%.

Outperformance for the year was primarily achieved from our holdings in Finance, Consumer Services and Electronic Technology. The best individual contributors were Barclays (+5.89%), Infineon Technologies (+2.59%) and RBS (+1.92%) whilst the worst individual stock performers were RSA (-1.64%), and Prudential (-1.11%).

INVESTMENT MANAGER'S MONTHLY REPORT

JANUARY

It was Jonathan Ruffer who so rightly said that even if you survived the downturn of a market you would still be taken out by the taxation that followed. The start of the New Year and the putting to bed of the Old is a welcome chance to work out just where markets are heading and just where we might be in a year from now.

Firstly in dealing with last year, we caught the upturn in the markets from the 10 March and bought into the lows of the bank shares. The surge in the rubbish, as it was described by those who did not own them, did lead many second line shares to rise by as much as ten times between March and October. We remained too optimistic going into the fall (!) and saw some of those gains disappear very quickly. Ten baggers became five baggers! The last quarter of the year saw a distinct switch out of the higher beta names and into the defensives. In December there was some recovery in the risk names going into year end followed in January with a more general sell off [that included both the defensives and the high beta names] such that as I write now, the European stock markets are approaching ten percent off for the year.

Time brings change; it is the strategy which matters. Having hoped that March of last year might have proved to be the long term bottom for developed markets, I am now much less sure. What we described then – the ability of the banks to expand their margins on the lending side – has been counter-balanced in the Anglo-Saxon world by funding costs rising almost as far, even as official interest rates have remained on the floor. Therefore the banks who over-lent in that 2002-2007 period and had small deposit bases relative to loans, as a result are still in trouble. In most instances their problems are still ahead because much of their funding from cheap bond issues is now having to be rolled over. This is before meeting the substantial additional Basle III term funding requirements. 2010 promises to pile on the pain. Whilst in 2009 their funding was boosted by government guarantees and borrowing from their central bank at the discount rate, either these will have to be extended, or the banks will have to cut lending.

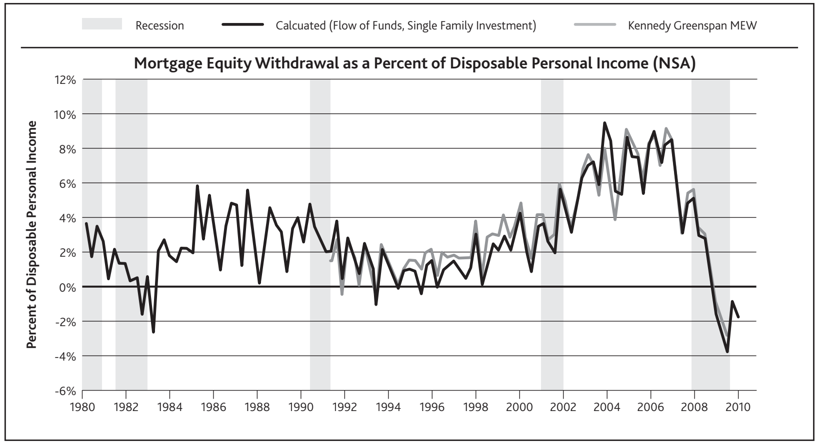
Central banks are now busy talking about ending quantitative easing, even as the commercial banks are in need of more of these loans, not less.

Banks not only face funding pressures but also numerous additional calls on their capital and constraints on their behaviour. I have some sympathy for the Volcker Rules that Obama has recently tabled, which would in effect reintroduce the Glass-Steigel divide between investment banks and commercial banks, requiring the former to fund themselves through shareholders and bond issuance. Commercial lending is a long term business, at best it involves relationships which allow bank and client to grow together; investment banking is a transactional business, much more profitable, but much less defensible. Put the two together and deposit funding will go to investment banking simply because of the inherent greater profitability. Force investment banks to borrow via the bond market and they will be much more circumscribed as to what they can do and will have to be much more transparent about their activities. However this looks a dangerous moment to overload these banks with the need to deleverage, which this rule would demand. Indeed to my mind regulators everywhere have taken advantage of this crisis to massively extend their empires. It was noticeable that the FSA recently gave their own employees a 40% bonus, thanks to the fines raised off the industry they are supposed to be supporting. It is more than likely that as the fragility of the banking sector becomes again apparent some of the regulatory pressures will ease. However, it does mean that the long term profits forecasts that we had had for these banks have had to be revised down. As a result we have sold or reduced all our banking positions – Barclays included. Oh what fair-weather friends we are!

The problem for equities is that they depend upon profits growing and that demands that the economies are growing at least in nominal terms. For the reasons given above we are not optimistic about any credit expansion where the crunch has struck, but nor are we optimistic that wages are likely to rise. Taking the UK for example, despite a fall of 20% in sterling against the Euro last year, 60% of wage agreements this year were for pay increases of 2% or less. More tellingly someone who lost their job last year has on average taken a job for 23% less this year. No credit growth, no wage growth, no economic growth. And if this is true, whither equities?

In many countries, recovery this year will not be helped by a majority of mortgagors starting to have to pay redemption yields capital repayments) on their mortgages. Most borrowers have recently been flipping mortgages every two years to take advantage of the two year grace periods during which only interest needs to be paid. For them last year in the UK was a bonanza. With an average debt/net income level of 6x, the interest payable fell from 30% of disposable income to 3%. However new mortgages cost 4% interest only and neatly marries the capital repayment terms of a 25 year mortgage once that grace period has ended. The chart below shows mortgage equity release in the USA has turned negative and currently shows 2.5% of income is being used to pay back debt. A number similar to the UK. If one is right this number could rise to 15% at its peak as my scenario unfolds. This will hurt consumer spending just as much as last year benefitted from it.

JANUARY *(continued)*



Source: http://www.calculatedriskblog.com/

The sharp fall in energy prices and the global downturn protected consumers from inflation in 2009. However, when coupled with the imported inflation likely to come from emerging markets this year, we may have a problem. The current precarious equilibrium in the west rests upon interest rates remaining very low. At very low interest rates the poorest covenants can service their loans. At 'normal' rates only a few percentages up from here non-performing loans will be overwhelming. The over-expansion of our bank lending makes the west very dependent upon inter-bank lending coming out of the East. In many ways this is not idiotic. An absence of any ability for creditors to get their hands on assets in the event of default makes lending in the emerging markets very dangerous and cross border interbank lending to the west attractive. However, rising interest rates in the East makes this lending less attractive. The west may find itself forced either to put up interest rates now or take the hit on the currency. No wonder then that Greece, Portugal and Spain are feeling the heat; ultimately the indebtedness of the UK, USA and even France should start to attract attention.

When faced with a future which promises little growth in nominal GNP it helps little that equities are cheap, especially against cash. The fact that bond markets look ridiculously expensive will not help equities either and their demise will only come when inflation appears, which in this environment can only be when all trust goes and currencies fall to match.

Capital preservation becomes an important consideration. In this market where does one hide? I am going back to picking stocks, which is hopefully a good deal better than hiding because it preserves the chance to make good money on our investments. I have bought well managed businesses, where management have taken the necessary action to live in a world in which demand remains excessively weak. Where management have demonstrated the ability to take advantage of further dislocation – for instance if interest rates were to rise, they would be able to exploit this as an opportunity to buy their rivals. In the UK this has put me into the likes of Lookers and Pendragon, both car dealers. Current new car sales are running at 1.8 million cars a year, some thirty percent below the replacement rate of 2.8 million cars. Money is being made in used car sales and servicing, both of which are benefitting from the ageing of the fleet. On a P/E for this year of 5x, I find shares that are on discount to a level of profitability which already discounts the worst. That double discount gives me a great deal of comfort.

Earnings growth is going to be crucial in this next period and so my other investments are chosen for the conviction that I have that these companies will come through with the numbers. Both BSkyB and Glaxo are such examples. As last year showed in the corporate bond market, the secret to making money in these markets is making sure you do the thinking in advance of the doing. It was only when corporate bonds were yielding 15% that it was right to enter. Having some cash ready to take advantage of these opportunities is very much part of our armoury. It means that Greek bonds have still got some way to fall before you would buy, if they are the way to play this market at all.

FEBRUARY

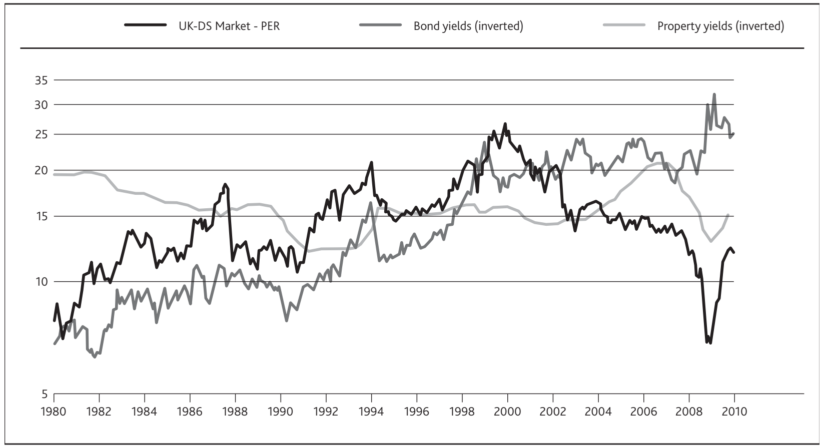
In keeping with my view that this is a trading market, I find that I have again changed my mind and feel rather bullish about the prospects for stock-markets over the next six months. Partly this reflects that markets make up their minds in the spring and the fall. It is now too late for the markets to get bearish. And yet, people are wanting these markets to go down. For all of the fall in the percentage of cash held by institutions signifying that they have become more enthusiastic, the numbers merely reflect that equity markets are up over 50% from their March 10 lows of a year ago whilst cash, (and most people!) are unmoved.

There is the first signs of retail investors tickling their way back into equities but again in this season of ISA's it is worth remembering that over 80% of ISA's are in cash.

My own optimism for stock markets has a dark side too, but it is based on the fact that equities, at least in Europe, are still so cheap against bonds and property. Ten year government bonds are yielding just over 4%, prime UK property is yielding through 6% whilst the FTSE is on a gross earnings yield of 10%. There is no good reason for the bigger, better, quality equities yielding anything more that high quality property. The changes in the UK which imposed rates on empty commercial property makes the case for equities stronger, whilst the bigger stocks have the advantage of liquidity.

If, and I know that it is a big if, the dangers to this massive build-up in government debt do not make themselves manifest immediately, the strongest trend around will be the arbitraging of bonds, property and equities. That arbitrage could return over 30% even from here.

FEBRUARY *(continued)*



Source: Thompson Datastream.

The dark side is that a period of respite that allowed equities to re-rate, would also mean that when we meet again with inflation, equities will fall just as far and fast as other asset classes. As a trader that makes me excited too!

MARCH

I don't know about you but watching 'Over The Rainbow' it seemed that Bronte was my idea of Dorothy. She was full of crazed charm and rubbery legs and a good voice. But the professional said she was utterly wrong for the part and Lloyd Webber did the decent thing on Sunday night and fired her.

Much the same sense of exasperation comes over me when it comes to the general election. It feels like I am at a pantomime, part of the audience shouting "watch out, he's behind you" whilst the heroine is having a deaf wish or a death wish.

It is reported that Michael Heseltine never opened his 'to do' box even though it was full of the day-to-day management of a ministry. Though this does not ring entirely true in Heseltine's case, he was famous for being a non-ideological activist who enjoyed the business of government, it makes the point. Today whenever I meet politicians, with the unusual exceptions of Peter Mandelson and Daniel Hannan, they always appear uninterested in the world of markets. Is there a need for the laity to get involved in politics?

With 75% of our legislation in the UK now originating out of the European Union surely it is a time to reduce the size of our own parliament by 75%. At the same time we might think about the excesses committed by an executive who are increasingly immune from the traditional counters – the legislative and the judiciary. However, this finds no backers, just like poor Bronte.

Finally, I read an article which makes sense of my frustration. It was in fact an article in the Critical Review, vol.21, No 2-3, June 2009 by Friedman. 'A crisis of politics, not economics.' It was really arguing that the credit crisis was a problem of regulation not capitalism. However, in amongst the many cogent arguments used, the author explained what the modern state was all about. He quoted Karl Popper. Karl Popper has always been a favourite of mine as it was he that believed that what characterised free societies was individuals making their own decisions - the complexity resulted in restraining government.

However in this case Popper was being summoned, like Mrs Arkady in 'Blythe Spirit', to introduce the ghost of 'piecemeal social engineering'. A tacit assumption that all problems will be solved by governments. He put it:

> "that problem-solving promises have become the accepted political form of address of every political party at election time."

He goes on:-

> "The problem with problem solving is that it relies upon the instigator of the policy having an excellent grasp of what the problem is and how it can be solved."

Usually this demands that there is a body of thinking which gives the instigator the intellectual framework to put into action his policy. Thus every solution has an intellectual shadow history that has long pre-dated the action. This epistemological fight is the one that prompted George Soros to give $50 million to Cambridge University. For me it explains why politicians do not listen. They are working off theories which occupied their minds years ago and are the foundation stone to their politics. Like actors in the pantomime they can only say the lines that they have been given.

This does have a drawback. It reduces one to saying, like Nanny did, 'if you do that then this will follow'. Nanny does not matter. For now zero interest rates cover all the ground in snow and how pretty it all looks. The politicians are solving the problems. They are using the thinking of the past. Growth at any price.

The land under cultivation continues to decline. Government expenditure is now at 52% of GNP up from 40% twenty years ago. 12% of the economy is now unproductive, that is a reduction of 0.36% off a 2% expected growth rate. Given what the current government have done to the economy over 15 years, it is remarkable Labour are still in the running. For the longer term we cannot afford such luxuries but for now enjoy the free ride being given by their beneficence.

APRIL

Well at least I am proving to be a good indicator. Twice in the last year I have got bullish and twice the markets have quickly corrected down afterwards. This time it was Greece that caused the crisis, or rather the mishandling of the Greek crisis that caused the crisis.

The shorthand story of Greece is that this was an economy, not unlike many emerging market economies, in which prior to entry into the EU and more importantly the Euro, tax revenues raised 25% of GNP, the government spent 28% of GNP and the deficit of 3% of GNP was funded by the printing press. The ensuing inflation of 10% meant that interest rates were at 15%. Government debt loitered around 40% of GNP making interest payments equal to 6% of GNP. Stability of a sort prevailed, poverty of a sort held rein.

APRIL *(continued)*
The Greeks enter the Euro. The government starts thinking like Brussels. Spending rises effortlessly towards 40% of GNP. Taxes rise to 31%. The shortfall is no longer monetised. Fellow Europeans now buy the debt issued. Interest rates fall to Euro levels. Average cost of debt falls to 5% and the government contents itself that although their debt has risen to 120% of GNP they are still only paying out 6% of GNP in interest payments. Then the lenders finally awake from their happy slumbers and realise that this debt is never going to be repaid. The wake-up call came from the new government denouncing the previous government's tax revenue numbers. What should have happened?

Greek government spending should have to fall back to 25% of GNP. Taxation should be held steady at 28% of GNP. The 3% surplus should be available to pay interest on the debt outstanding. The fall in GNP before any multiplier effects would be a 15% decline in GNP. To make it a little easier for the government imposing this austerity package, the lenders should agree to a cut of 50% in the value of the debt outstanding. 3% on 60% is just about okay. It is certainly not great value. However the reason we are in this mess is because the authorities have dithered over what to do.

Since everyone knows that the debt is only worth 50% of par, banks have not only been cutting their credit lines with the Greek banks but also worrying about who is owning the Greek debt. Hence last week's silence in the interbank market which echoed the soundlessness of the interbank market soon after Northern Rock and again Lehman's went down. The problem with my solution is that the ECB has been accepting these Greek bonds as margin collateral as fast as the Greek banks have had their credit lines pulled by the other banks. If they had agreed to the common sense proposal, the Greek banks might have defaulted and the ECB lost over £40 billion. They have no balance sheet.

Last weekend European governments, in a remarkable show of unity, agreed to underwrite the whole of the sovereign debt markets in Europe, and thus have solved the inter-bank problem. However they have ensured that the Euro has fallen 7% in a month against the US Dollar. The weaker sovereign credits in Europe have strengthened but the paradox is that the equity markets having rallied hard last Monday faded fast as the week progressed. The German people are rightly incensed at bailing out Club Med because ultimately it means that they will get inflation. However they should be secretly happy that just when exports are booming, their currency for the first time is making their product even more attractive in price. This bail out of last week also means that the prospect of low interest rates stretching out into the distant future is also assured.

So why are stock markets so weak?

My only answer is that they did not like the liquidity threat posed by that inter-bank crisis. It reminded them rightly of two years ago. Equally there is fiscal tightening. Government expenditure should be hacked at in the Club Med countries as well as in the UK. Demand must be weak next year. Few people own equities. At a conference in Milan last week, less than 10% of attendees had more than 20% of their money in shares. That of course makes equities volatile, but also cheap. Equities are cheap against cash, bonds and property and more importantly the corporates are the only rich sector of the economy. Taxes are rising but the attack is definitely on rich individuals. The corporates are seen as employers, and they are well organised to lobby hard with governments.

Having predicted at the beginning of this year that this was going to be a trading year, I have been knocked back – temporarily I hope – but for all the above reasons I still remain optimistic.

The election in the UK is a sideshow. Remember 75% of the legislation in the UK now emanates from Brussels. We are governed by an electoral class which starts playing politics at university and listens little to an outside world. It is unpopular, interchangeable and dangerous. If only politicians bled? Remember that less than 3% of all Scotsmen pay top rate income tax, that over 80% of Welsh GNP is a transfer payment from the UK and that the top 6% of tax payers pay over 44% of the total income tax collected. We now officially live in a world of redistribution, one in which only companies can easily survive.

The stock market feels weak, but as yet there are no broken bones. The trend remains up.

MAY
May was ugly. Markets did exactly the opposite of what I was expecting them to do. Government bonds rose by 8%, equities fell by 8%.

However, do all those price moves change much? Are there lessons to be learnt? What are markets predicting?

Questions, questions, questions… Sure the ECB handled Greece badly. They should have investigated bankruptcy. Sure the Spanish Caixas need recapitalizing and some honesty needs to be brought to bear in property loans in evaluating Spain, but should this blow off course the natural reflationary policies being pursued by the authorities. The price action of May for all asset classes was only explicable on the grounds that Europe and indeed the world is going to follow Japan into deflation.

The line of argument goes. Firstly, credit cannot expand because there is a standoff between those who have the equity to buy assets and those selling the assets; over price. The equity participants are asking for a discount on the assets. The sellers, thanks to low interest rates, do not have to sell and are holding out. This presents an uneasy truce but it does not permit credit gains.

Secondly, governments are only too aware that this crisis has left government finances in an untenable position long-term. Tax revenue has rarely managed to get about 40% of GNP. Government expenditure is now universally running in excess of 50% of GNP. In Osborne's case, the need to bring expenditures into line with revenues is compounded by the fact that if he does not announce cuts immediately, he cannot blame the outgoing government.

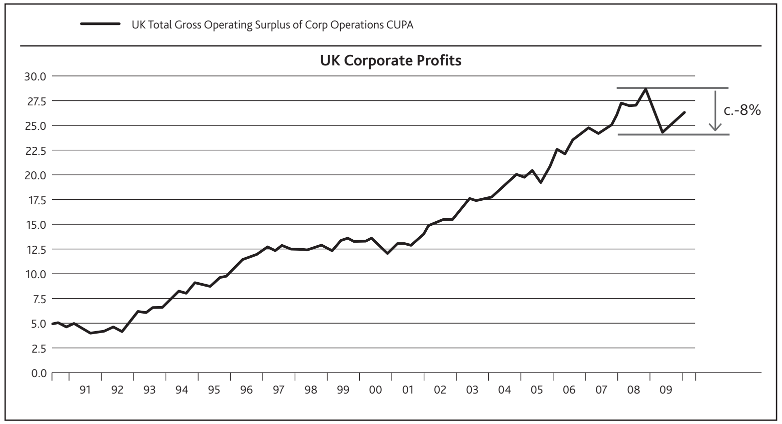
Markets are worrying in many ways rightly, that with the corporate sitting on cash, a fall in government expenditure is not going to be met by a rise in private sector spending and employment. Thus the market in May is pricing in a double dip.

This has been compounded by the weakness in the corporate bond market of late. With the one year ECB repo of €400 billion coming due on 1 July, every bank is nervous that the ECB may not renew it or will only renew it only quarterly. Here I remain more positive. For me the lucky thing for Europe is that Germany may have the strongest economy in Europe, but they also have the weakest banking system and that is some claim when you look at the competition in Europe. This means the 1 July is likely to bring news that the repo loan is extended and most likely for one year. Thus fear of deflation provokes further reflationary policies.

This brings me on to the future. It is highly unusual for a new bear market in equities to begin even as profit estimates are being upgraded as they are now. Equities are cheap against all other assets, pricing in a 30%-40% fall in profits.* They are also under-owned. That makes them vulnerable to changes in sentiment. That makes them volatile, but it also makes them attractive as investments.

As some stage the re-flation will result in inflation and all of these fire practices will help the fund to do well. But in the meantime it looks like returns will be allied to volatility.

UK CORPORATE PROFITS



* Even in 2009, with the banks going bankrupt in the UK, profits only fell by 8%.

JUNE
I have always been a believer that in life there are some questions which should never be asked; part of the reason being that not all questions have answers. In fact in percentage terms, few questions have answers. But the more important reason is that the answer to the question may involve resolving something that doesn't need resolving, except when that question gets put.

It is in our industry observed when a trader loses money, and the cry goes out as to why did he lose money? What can we do to make sure it never happens again? Structures are put in place; prohibitions on this and that. Everything is done to slow him down, because it reduces the risk of it happening again. He is deskilled, we make less money, but the question is answered. I always prefer the solution which entails picking up the mistakes quicker, because I still want that trader to do what he is good at.

If it is first that he is a bad trader then we find that out over time anyway. The system should be designed for good traders, just as a cricket field should be set for good bowlers. The problem lies with the management.

The reason I am arguing in this way is because trading has been difficult this year. At the top I have been bullish; at the bottom not bullish enough. Is it systems we need to put in place or are we at one of those times when there are no answers to the questions being put? I think the answer to these markets lies elsewhere.

My damascene conversion came half way through this last month and it came in an unlikely form. Earlier in the month, News Corporation had bid £7 per share or £12 billion for our largest holding BSkyB. This has been one of my largest holdings over the past 5 years. When I first bought it in 2005, the company had 7 million households paying £400 per household and generated £300 million pre-tax profits. It was valued at £7 billion. I believed in the company's forecast – that they would in five years hit 10 million households – and I worked it out that all those revenues (£1.2 billion) would fall to the bottom line. At around £1 billion of net profits the company would be a steal at £7 billion. Today the company has 10 million customers but only makes around £700M which is why News Corp thinks it is being generous paying £12 billion for the TV business. However BSkyB has in fact done much better that this. By introducing high definition they can charge another £120 per household; by bringing the triple play of telephone, the internet and pay TV, they can add another £300 per household. All in all my forecast profit number is now well above £2 billion. I hope to persuade other shareholders that they are mad to sell out now. What persuades me that I am right is that if they merely use the £1.5 billion cash flow they have each year to buy back shares the £12 billion market cap would in five years be reduced to £4.5 billion, putting the company on an earnings yield of over 30%.

But this was not my damascene conversion. That happened when another company we owned was the subject of a rights issue. Avis Europe has been a bit of a favourite of mine. It is a very ordinary business. Revenues of £1 billion, invested capital of £1 billion supported by £900 million of debt and £100 million of equity have allowed an EBIT margin of £110 million to be divided; £60 million in interest, £50 million in pre-tax profit. Recently term structure worries coming from the bigger banks involved in the £700 million revolver credit line have prompted the company to raise £150 million. The shares immediately fell 25% to a pre-new money valuation of £250 million and a post money valuation of £400 million. Pretax profits will rise to £65 million, net to £50 million, after this deal, which also ensures there will certainly be enough equity in the company. The damascene moment came when I realized that if Avis Europe could use the £50 million per year in profits to buy back shares, in 5 years time I had a company worth £150 million making £50 million.

Why is this important? For two reasons. One, in the UK, thanks to Osborne, dividends are very unattractive with tax rates of 50% at the top end, whilst corporation tax is at 28%. Secondly because it drove home to me that the reason equities were so cheap was that there were no buyers. Pension funds have been net sellers for a decade as the abolition of ACT and the winding down of defined benefit pension funds led them to increase bond weightings. Private individuals have not been buyers because shares have been a bad investment over the years. Equities will only start to perform better if companies use the relative tax benefit of buying back shares, to buy back shares.

But with shares now so cheap, if companies can only continue to pick them up at these prices, investors will get the benefit of compounding. Why buy a bit of gold which will yield next to nothing in five years, when you can find companies whose shares will yield 30% in five years and will then compound at that level.

The only thing that this thinking presupposes is that profits do not turn out to be too cyclical. In built into the cheapness of equities is their cyclicality. A 12% return can only be priced like that against a bond yielding 3% if that return will fall to zero by next year and will only reappear every now and then. Having already witnessed a very tough profit downturn in 2008, I think these profits are battle hardened enough to help me to sleep happily owning them. Just as some questions should not be answered maybe some answers shouldn't be questioned.

JULY
Remember that at the end of June, the S&P had broken down, creating a dead cross technically which meant the imminent decline in stock markets. One month later and markets have had their best ever month for some time, but the bears can still point to both one year and ten year bonds hitting new highs, to show that nothing has really changed. Thus the bonds and equity markets do seem to be telling different stories.

The bond market is going with the double dip, believing 2011 will be a very difficult year for the world, with therefore all the risks to corporate profits. The stock markets believe nothing of the sort.

My view is that whereas I found it hard to sleep from 2005-2007, because no assets yielded me more than 6% gross and I could see consumer spending over-inflated by Ponzi credit, today I look at a world that is half way through its recovery programme. The policy mistakes of 2002-2007 demanded this massive bail out of the banks in 2007-2009 which saw private liabilities taken on by governments. Today the wiser governments are in the process of cutting public expenditure and following a flight path back to stability within 5 years.

Of course it feels quite scary because we are only half way through, but the understanding of the problem is now well known, and most importantly I am now being paid to take risk. My portfolio of shares must be at most on a P/E of 9 times net profits. What July did was to show that the authorities understand the problem. Both Basle III and the stress testing of the European Banks shared one thing. Banks have got enough capital for the job. This is important because no one has doubted, especially in the UK, the earnings power of these banks since the crisis. My favourites Barclays and Lloyds, trade on 5 times my earnings forecast. Along with BP, they are the highest yielding assets. But my BSkyB is on a 10% yield on my numbers. Glaxo, having navigated a tricky patent cliff for its major drugs is on an 11% yield. Avis is on a 12% earnings yield with a deleveraged balance sheet. Ericsson is on a 10% earnings yield after coming out of a 10 year Telecom capital spending Sahara.

Why do I think this is a bull market? Because I find myself talking numbers and strategy with companies and feel that their targets are achievable and not priced in by markets. I still maintain that stock markets can't go higher unless led by the banks. Who has led this recovery in July? Yes, the banks. Can it continue? Let me give you one example. JP Morgan, when they reported their earnings the other day, said they had surplus capital equal to 42% of their market capitalisation.

I think that this is still a self help environment. Companies need to buy back their shares with all this surplus cash. But it is also potentially a great time to be investing. US fixed assets have never been older. China is enjoying a wage boom which we should cheer to the skies because it will make investing in the western world that much more attractive.

The only thing that was needed was governments who were aware that their job was to create the environment conducive to investment. In the UK we appear to have one, the USA don't. No wonder sterling has risen 12% against the dollar since the election.

AUGUST
Markets obviously perked up in September but is this the beginning of a much longer run? It is certainly feeling like it.

Remember the scenario that we believe will unfold is further continuous aggressive easing using any means by the authorities which will not end until we have a sea of inflation and bond and currency markets which are screaming 'NO'.

We are still in the foothills on this journey. The weak employment numbers out of the USA and the continuing trade deficit with the emerging markets has ensured near unanimity in the USA amongst politicians and the Fed that the US dollar must be allowed to fall against these currencies. Given that the emerging markets are hanging on to their peg, this means giving these countries a totally inappropriate monetary policy. In a raging boom, interest rates remain at zero, whilst monetary conditions remain wildly lax.

This year the bears have always had their turn. However it seems so dangerous to fight the regulators when everyone is in agreement that inflation is preferable to deflation. A world in which interest rates remain at zero even as inflation rises and economic activity plods along, is the perfect environment for the equity markets.

At present the emerging market theme has dominated returns. Since September of last year the wider market has fallen back even as the 'Nifty Fifty' have broken out. I have nothing against backing the emerging markets. They can only thrive. However, given that ultimately I see heavy inflation in the Anglo-Saxon world, cheap real assets which are currently in a bear market, still stand out because I am being paid by them to be patient.

SEPTEMBER
September has now almost repaired the damage done in August. Equities remain attractively priced but unloved. This makes share prices volatile, especially since investors remain very cautious on the outlook. I see nothing that can damage the excellent free cash flow outlook for the corporate sector. Where pessimists see governments spending cutbacks next year killing any GNP growth, I see pent-up capital spending plans and a little less paying back of debt taking up the running and more than compensating.

The performance of the fund has been disappointing. We have been hurt by being naturally hedged back into the weakest currency, the Euro, and we have been hurt by some painful individual share price movements – Sky Deutschland, Connaught (in small way), Barclays and Ericsson.

The successful strategy this year would have been to opt for those companies serving emerging markets- the growth stocks. Value stocks have had a bumpier ride. Investors have been scared by the cyclicality implied in owning high yielding shares, despite earnings yields being twice those of the growth stocks. It is an uneasy time being early, but nothing either at a macro level or at the corporate level has bid me to change my mind. Indeed managements seem to me to be entirely in the right place. Governments, like the UK coalition, are making the difficult decisions and only the politics in the USA remains uncertain. I personally welcome the Tea Party movement there – politicians need to connect with people – and the midterm elections, if they end the Democrat's majority in the House of the Representatives, can only be a blessing.

OCTOBER
Markets are cottoning on to the inflationary effects of QE2 upon emerging economies pegged to the US dollar. When food accounts for 42% of the cost of living in emerging markets and only 14% in the developed world, it is no surprise that soft commodity inflation will be the most potent way to affect higher inflation rates in the emerging markets. All of this may mean much higher inflation rates in the west than we have been led to expect but the good news is that there will be a rebalancing especially of jobs at the bottom end.

OCTOBER *(continued)*
The markets have picked up that with this boom domestic consumption in these economies will grow faster than anything. But they are also coming to understand that escalating wage claims will lead companies in those countries investing in labour saving machinery. This does mean that the west finds itself competing at the highest technology levels with China, which further exacerbates the mercantilist cries. Thus the QE will continue to expand, especially since the broken credit mechanism in the USA makes QE less dangerous for the USA generally.

But whilst QE is all about America trying to get devaluation against its fellow members of the US dollar currency union, Europe faces the problem of having its largest member country, Germany, in an undervalued currency against the majority of its partners. This crisis in Europe is providing opportunities. Merkel's pressuring of Ireland is all because she so dislikes the fact that access to the ECB will allow Irish banks to make supernormal profits from cheap money financing. The market is looking through Merkel's glasses now and Ireland is in the doghouse, but she will not be able to stop the Irish banks from borrowing. 'Solve the problem, make the money' is the mantra.

The stock market may be having a rest after two strong months but there is increasingly evidence of self-help in the form of mergers coming to the rescue of the wider market. Emerging market exposure should still dominate.

Ultimately inflation will be a problem and it will bring the first real recession but for now the combination of QE and growth makes equities attractive and realistically Ireland will be given the interbank money she needs and profits will flow.

NOVEMBER
Easy money takes the pain out of hard knocks. In May, in August and again in November, markets have attempted to dissolve the Euro – to fracture it.

Insolvency in Greece came about because their governments could not collect taxes. Insolvency in Spain and Ireland relates to banks lending against mortgages on margins of only 20 basis points over Libor whilst borrowing at 100-200 basis points above Libor.

These issues need addressing. Keynes wrote in the thirties that:

> "…the absolutists of contracts are the parents of revolution."

Banks need to be allowed to reset lending margins; they need to be profitable. Who cares if this demands legislation to take effect?

It is odd that Merkel has been the instigator of the Euro wobbles. She is of course worried that German banks will need to be bailed out if these countries go down. She is right to be worried that German bankers might be foolish lenders: look at the history. Recently German banks' net interest margins should have soared because in Germany there were no tracker mortgages, no teaser rates. Borrowers borrowed for 10-15 years at nominal rates. Two years ago those borrowers were borrowing at 4% and the bank was making nothing, today they are borrowing at 4% and the bank could be making 300 basis points of margin. Instead, by matching the duration risk and having to borrow at 100 basis points over Libor, German banks still make little money out of mortgage lending.

Throughout these crises I have remained bullish and I still remain more optimistic for stock markets than for a long time.

Why? Because the markets are too cautious about the strength of the economic cycle. In previous quarterly calls I have outlined how the USA is now successfully encouraging economic growth and inflationary pressures to grow in the emerging market economies. But what is not understood is that Germany in this regard looks exactly like an emerging market. Thanks to the problems of the Euro, German exporters are not only enjoying a massive boom, they are also enjoying a currency advantage of around 30% over their Japanese competitors. Couple this with a tax rate which, since the last boom in 89-90, has fallen from 52% to 30%, and shareholders – for the first time – will almost certainly enjoy an unheralded boom.

In a country where individuals spend more on cut flowers than equities, these profits will come to us – yes to the foreigners. This is not going to be popular in Germany, and quite quickly I expect profits to be commuted into wage increases, but this will do something which is not expected. It will mean that from next year the boom in consumption in Germany will help to lift all of these bankrupt southern economies out of recession. The Euro will work as it was intended. German inflation will be higher than others, German competitiveness will suffer and yes we will stop having Euro crises. Of course Germany will not enjoy this boom and if it was down to their authorities, interest rates would rise and their currency would strengthen but they are going to find their feet being unable to reach the pedals as Ireland et al found this year.

Bernanke, who I think is much maligned, wrote this recently in 'Rebalancing the World Economy?'

> "As currently constituted, the international monetary system has a structural flaw: its lacks a mechanism, market based or otherwise, to induce needed adjustments by surplus countries, which can result in persistent imbalances. This problem is not new. In particular, for large, systemically important countries with persistent current account surpluses, the pursuit of export-led growth cannot ultimately succeed if the implications of that strategy for global growth and stability are not taken into account."

So like Simeon, are we about to say; "today this prophecy is fulfilled?" Could there have been a more perfect Christmas tale than this? Yes, in a way.

Bernanke is wrong. The mechanism is starting to work. It will shower profits upon those fortunate enough to see the opportunity. It may well start the beginning of the bear market in government bonds but it will also lead to a much more balanced global economy – balanced but inflation prone and inflation bound.

DECEMBER
How different a start this year has had from the one a year ago.

A year ago we were still coming off a September high in the markets, sterling and the dollar rallied and the bond markets surged. The fund was down sharply in minutes.

So far this year stock markets have broadened, with the emerging market theme failing, as China tries forlornly to halt inflation and slow rampant growth in the economy but the wider economy in the developed world, looking set for a better year.

DECEMBER *(continued)*
2011 looks like being the year for stock pickers. Yes, interest rates will rise, although they will rise more easily in Europe, than in the USA and the UK, but growth will surprise on the upside.

Provided the policy makers remember the fragility of this recovery and do not listen to the chattering classes, inflation and growth will provide all the harvest that we need.

Crispin Odey
ODEY ASSET MANAGEMENT LLP
Investment Manager
21 February 2011

FUND INFORMATION

PERFORMANCE RECORD

Income shares

Calendar Year	Highest Price p	Lowest Price p	Distribution per share p
2006#	2,040.87	1,991.33	–
2007	2,392.95	1,992.18	19.6642
2008	2,471.72	1,668.57	–
2009	2,756.16	1,620.75	32.1585
2010	2,750.79	2,326.90	20.8265
2011*	–	–	13.5528

From 6 December 2006.
* Distribution payable on 28 February 2011.

NET ASSET VALUE

Date	Net Asset Value £	Shares in Issue	Net Asset Value pence per share
31.12.08	170,875,822	8,452,837	2,021.52
31.12.09	244,599,798	10,000,882	2,445.78
31.12.10	281,930,200	10,445,577	2,699.04

TOTAL EXPENSE RATIO

Expense Type	31.12.10 %	31.12.09 %
ACD's periodic charge	1.50	1.50
Other expenses	0.07	0.07
Total expense ratio	1.57	1.57

The Total Expense Ratio represents the total expenses of the Fund, excluding transaction costs, interest payable and expenses of a capital nature, expressed as a percentage of the average net assets during the accounting period.

Other expenses include fees payable to the depositary and auditors, printing and publication costs, registration fees and safe custody and other related bank charges.

FUND PERFORMANCE TO 31 DECEMBER 2010 (%)

	1 year	3 years	Since launch*
CF Odey Opus Fund	10.35	15.15	35.54
MSCI World Index (£)	9.55	-19.43	-12.88

* Launch date 6 December 2006.

The performance of the Fund is based on the net asset value per Income share with income reinvested.

Details of the distributions per share for the year are shown in the Distribution Table on page 74.

PORTFOLIO STATEMENT
AS AT 31 DECEMBER 2010

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	EQUITIES			
	CONTINENTAL EUROPE			
	BELGIUM			
45,110	Anheuser-Busch InBev	1,654,341	0.59	–
	FRANCE			
83,405	Bongrain	4,289,400	1.52	
42,790	Carrefour	1,130,929	0.40	
25,942	Compagnie de Saint-Gobain	855,579	0.31	
27,049	Compagnie Generale des Etablissements Michelin	1,244,612	0.44	
89,590	Safran	2,034,295	0.72	
	TOTAL FRANCE	9,554,815	3.39	2.96
	GERMANY			
102,579	Allianz	7,800,731	2.76	
55,685	Bayer	2,622,367	0.93	
80,286	Bayerische Motoren Werke	4,051,258	1.44	
190,756	Daimler	8,308,198	2.95	
115,695	Deutsche Bank	3,862,265	1.37	
2,927,805	Infineon Technologies	17,555,960	6.23	
18,200	MAN	1,391,056	0.49	
37,070	Metro	1,719,687	0.61	
14,964	Muenchener Rueckversicherungs Gesellschaft	1,459,786	0.52	
418,142	Praktiker Bau-Und Heimwerk	2,840,866	1.01	
68,761	Siemens	5,479,997	1.94	
4,838,688	Sky Deutschland	6,965,389	2.47	
	TOTAL GERMANY	64,057,560	22.72	16.01
	ITALY			
73,211	Fondiaria-Sai	392,698	0.14	1.37
	NETHERLANDS			
202,976	Brit Insurance Holdings	2,115,010	0.75	
569,487	STMicroelectronics	3,774,441	1.34	
	TOTAL NETHERLANDS	5,889,451	2.09	1.79

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	NORWAY			
577,335	Norsk Hydro	2,703,212	0.95	
207,590	Tomra Systems	880,510	0.31	
265,761	Yara International	9,841,514	3.50	
	TOTAL NORWAY	13,425,236	4.76	3.30
	SWEDEN			
1,046,400	Telefonaktiebolaget LM Ericsson	7,769,213	2.76	1.83
	SWITZERLAND			
101,060	Cie Financiere Richemont	3,808,756	1.35	
151,100	Credit Suisse Group	3,900,329	1.38	
51,679	Nestlé	1,938,829	0.69	
9,200	Swatch Group (The)	2,626,324	0.93	
41,380	Syngenta	7,752,293	2.75	
72,674	UBS	764,414	0.27	
71,610	Xstrata	1,078,089	0.38	
15,521	Zurich Financial Services	2,575,936	0.92	
	TOTAL SWITZERLAND	24,444,970	8.67	3.79
	TOTAL CONTINENTAL EUROPE	127,188,284	45.12	31.05
	UNITED KINGDOM			
2,214,025	Avis Europe	5,238,383	1.86	
263,937	Aviva	1,037,272	0.37	
5,984,658	Barclays	15,658,858	5.55	
89,690	BHP Billiton	2,287,992	0.81	
1,742,369	BP	8,111,599	2.88	
92,060	British American Tobacco	2,267,898	0.80	
3,219,684	British Sky Broadcasting Group	23,696,874	8.41	
482,185	Britvic	2,282,182	0.81	
500,000	Churchill Mining	623,750	0.22	
338,170	Daily Mail & General Trust *'A'*	1,941,096	0.69	
556,432	Devro	1,394,975	0.49	
273,835	Experian	2,185,203	0.78	
532,106	GlaxoSmithKline	6,598,114	2.34	
601,251	Hiscox	2,274,533	0.81	
120,122	Horizon Acquisition Company	1,141,159	0.40	
111,900	Hotel Corporation (The)	81,687	0.03	
2,945,346	Imagelinx	29,453	0.01	
5,478,615	ITV	3,837,770	1.36	
4,866,450	Landkom International	279,821	0.10	

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	UNITED KINGDOM *(continued)*			
7,509,390	Lloyds Banking Group	4,933,669	1.75	
4,993,788	Northen Foods	3,133,602	1.11	
195,430	Novae Group	704,525	0.25	
219,859	Novae Group *'B'*	98,937	0.04	
178,870	Pearson	1,803,010	0.64	
9,319,986	Pendragon	1,887,297	0.67	
62,539	Reckitt Benckiser Group	2,204,500	0.78	
98,781	Robert Wiseman Dairies	334,868	0.12	
942,700	Rolls-Royce Group	5,873,021	2.08	
3,884,575	Royal & Sun Alliance Insurance Group	4,863,488	1.73	
130,197	Royal Dutch Shell *'A'*	2,784,263	0.99	
1,418,400	Sports Direct International	2,269,440	0.80	
2,450,933	Vodafone Group	4,063,647	1.44	
	TOTAL UNITED KINGDOM	115,922,886	41.12	40.77
	AUSTRALIA			
1,064,816	Australian Agriculture Company	986,463	0.35	
1,055,877	Nyota Minerals	303,565	0.11	
2,881,021	Sylvania Resources	1,424,050	0.50	
	TOTAL AUSTRALIA	2,714,078	0.96	0.93
	NEW ZEALAND	–	–	0.15
	JAPAN			
269,000	Maruetsu (The)	694,836	0.25	
335,200	Mitsubishi UFJ Financial Group	1,158,843	0.41	
	TOTAL JAPAN	1,853,679	0.66	0.45
	NORTH AMERICA			
85,730	AGCO Corporation	2,773,422	0.98	
293,300	Bank of America Corporation	2,499,031	0.88	
128,282	Cia de Minas Buenaventura *ADRs*	4,005,802	1.42	
167,895	CNA Financial	2,896,450	1.03	
62,670	eBay	1,113,578	0.39	
882,000	Gulf International Minerals*	–	–	
221,600	Intel Corporation	2,977,962	1.06	
22,940	International Business Machines	2,150,182	0.76	
215,100	JPMorgan Chase & Company	5,826,562	2.07	

Holding	Portfolio of Investments	Value £	Total Net Assets 31.12.10 %	Total Net Assets 31.12.09 %
	NORTH AMERICA *(continued)*			
300,420	Microsoft Corporation	5,353,487	1.90	
17,064	PartnerRE	875,621	0.31	
7,232	Patriot Coal Corporation	89,473	0.03	
38,143	Peabody Energy Corporation	1,558,701	0.56	
	TOTAL NORTH AMERICA	32,120,271	11.39	6.32
	LATIN AMERICA			
69,973	Petroleo Brasileiro *ADRs*	1,689,375	0.60	
279,750	SLC Agricola	2,314,218	0.82	
	TOTAL LATIN AMERICA	4,003,593	1.42	1.39
	SOUTH AFRICA			
65,012	DRDGOLD *ADRs*	200,975	0.07	0.11
	Portfolio of investments	284,003,766	100.74	81.17
	Net other (liabilities)/assets	(2,073,566)	(0.74)	18.83
	Net assets	281,930,200	100.00	100.00

The investments have been valued in accordance with note 1(i) of the Notes to the Aggregated Financial Statements and are ordinary shares unless stated otherwise.

* Security delisted.

Definiton:
ADRs – American Depository Receipts.

SUMMARY OF MATERIAL PORTFOLIO CHANGES
FOR THE YEAR ENDED 31 DECEMBER 2010

Total purchases for the year (note 13) **£185,859,185**

Major purchases	Cost £
Microsoft Corporation	11,455,132
BP	10,033,345
Credit Suisse Group	9,668,320
JPMorgan Chase & Company	9,507,164
Telefonaktiebolaget LM Ericsson	7,752,644
Barclays	7,631,490
Daimler	7,307,201
GlaxoSmithKline	7,022,486
Rolls-Royce Group	5,913,423
Yara International	5,801,353
Bank of America Corporation	5,766,528
Vodafone Group	5,759,213
Syngenta	5,434,078
Lloyds Banking Group	5,296,486
Experian	5,047,912
Siemens	4,726,233
eBay	4,195,184
Bayerische Motoren Werke	4,173,770
Reckitt Benckiser Group	3,598,878
British American Tobacco	3,400,753

Total sales for the year (note 13)	**£128,786,272**
Major sales	**Proceeds £**
eBay	8,102,184
Credit Suisse Group	7,962,535
Reckitt Benckiser Group	7,305,246
HSBC Holdings	6,460,065
Microsoft Corporation	6,295,754
Barclays	6,267,573
JPMorgan Chase & Company	5,990,079
Telefonaktiebolaget LM Ericsson	5,691,379
GlaxoSmithKline	5,640,007
British Sky Broadcasting Group	4,770,938
Infineon Technologies	4,732,192
StatoilHydro	4,344,817
Vodafone Group	3,771,932
British American Tobacco	3,485,713
Experian	3,149,359
Unilever	2,917,399
Roche Holding	2,826,550
Bank of America Corporation	2,450,903
Royal & Sun Alliance Insurance Group	2,334,137
BP	2,268,528

The portfolio changes represent the 20 largest purchases and sales during the year.

FINANCIAL STATEMENTS

STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	£	31.12.10 £	£	31.12.09 £
Income:					
Net capital gains	2		26,786,319		36,978,228
Revenue	3	5,662,689		5,212,495	
Expenses	4	(4,110,745)		(3,232,705)	
Finance costs: Interest	6	(4,340)		(673)	
Net revenue before taxation		1,547,604		1,979,117	
Taxation	5	(173,017)		(242,494)	
Net revenue after taxation			1,374,587		1,736,623
Total return before distributions			28,160,906		38,714,851
Finance costs: Distributions	6		(1,374,586)		(1,736,627)
Change in net assets attributable to shareholders from investment activities			26,786,320		36,978,224

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	£	31.12.10 £	£	31.12.09 £
Opening net assets attributable to shareholders			244,599,798		170,875,822
Amounts receivable on issue of shares		59,598,703		59,723,472	
Amounts payable on cancellation of shares		(48,972,291)		(22,917,041)	
			10,626,412		36,806,431
Dilution levy	1(k)		–		12,682
Stamp duty reserve tax	1(g)		(82,330)		(73,361)
Change in net assets attributable to shareholders from investment activities			26,786,320		36,978,224
Closing net assets attributable to shareholders			281,930,200		244,599,798

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Notes	31.12.10 £	31.12.10 £	31.12.09 £	31.12.09 £
ASSETS					
Investment assets			284,003,766		198,540,427
Other assets					
Debtors	7	773,086		545,547	
Cash and bank balances		2,273,601		48,130,085	
Total other assets			3,046,687		48,675,632
Total assets			287,050,453		247,216,059
LIABILITIES					
Other liabilities					
Creditors	8	(3,192,983)		(533,427)	
Bank overdrafts		(511,602)		–	
Distribution payable on Income shares		(1,415,668)		(2,082,834)	
Total other liabilities			(5,120,253)		(2,616,261)
Total liabilities			(5,120,253)		(2,616,261)
Net assets attributable to shareholders			281,930,200		244,599,798

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2010

1. ACCOUNTING POLICIES

The Fund's Financial Statements have been prepared on the same basis as the Aggregated Financial Statements.

	31.12.10 £	31.12.09 £
2. NET CAPITAL GAINS		
The net capital gains during the year comprise:		
Non-derivative securities	27,087,388	39,621,944
Transaction charges	(11,258)	(13,015)
Currency losses	(289,811)	(2,630,701)
Net capital gains	26,786,319	36,978,228
3. REVENUE		
Non-taxable dividends	4,685,032	2,853,700
Taxable dividends	947,890	2,014,485
Unfranked interest	–	182,383
Bank interest	29,767	161,927
Total revenue	5,662,689	5,212,495
4. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	3,927,225	3,089,761
Printing costs	7,077	6,529
Registration fees	28,849	11,721
	3,963,151	3,108,011
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	68,364	60,456
Safe custody and other bank charges	64,068	49,034
	132,432	109,490

	31.12.10 £	31.12.09 £
4. EXPENSES *(continued)*		
Other expenses:		
FSA fees	50	41
Fees paid to auditor – audit	9,000	8,813
– tax services	3,000	2,938
Publication costs	2,476	3,412
Legal and professional fees	636	–
	15,162	15,204
Total expenses	4,110,745	3,232,705
5. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	173,017	264,183
Irrecoverable income tax	–	(21,689)
Current tax charge (note 5b)	173,017	242,494
Deferred tax – origination and reversal of timing differences (note 5c)	–	–
Total taxation	173,017	242,494

b) Factors affecting current tax charge for the year
The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.09 : 20%) for the reasons explained below.

	31.12.10 £	31.12.09 £
Net revenue before taxation	1,547,604	1,979,117
Corporation tax at 20%	309,521	395,823
Effects of:		
Non-taxable dividends	(937,006)	(570,740)
Movement in revenue accruals	–	4,341
Unutilised excess management expenses	627,485	170,576
Corporation tax charge	–	–
Overseas tax	173,017	264,183
Irrecoverable income tax	–	(21,689)
Current tax charge (note 5a)	173,017	242,494

5. TAXATION *(continued)*

c) Deferred tax
At the year end there is a potential deferred tax asset of £907,802 (31.12.09 : £282,416) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior period.

6. FINANCE COSTS

Distributions
The distributions take account of revenue received on the issue of shares and revenue deducted on cancellations of shares, and comprise:

	31.12.10 £	31.12.09 £
Final	1,415,668	2,082,834
Add: Revenue deducted on cancellation of shares	277,678	193,095
Deduct: Revenue received on issue of shares	(318,760)	(539,302)
Net distributions for the year	1,374,586	1,736,627
Interest	4,340	673
Total finance costs	1,378,926	1,737,300

Details of the distributions per share are set out in the table on page 74.

	31.12.10 £	31.12.09 £
Distributions represented by:		
Net revenue after taxation	1,374,587	1,736,623
Balance brought forward	–	4
Balance carried forward	(1)	–
Net distributions for the year	1,374,586	1,736,627
7. DEBTORS		
Amounts receivable for issue of shares	16,134	94,166
Accrued revenue:		
Non-taxable dividends	346,359	289,843
Bank interest	1	20,832
	346,360	310,675

	31.12.10 £	31.12.09 £
7. DEBTORS *(continued)*		
Prepaid expenses	1,426	1,456
Taxation recoverable:		
Overseas withholding tax	409,166	139,250
Total debtors	773,086	545,547
8. CREDITORS		
Amounts payable for cancellation of shares	2,776,292	181,881
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
ACD's periodic charge	364,830	313,081
Printing costs	3,135	3,370
Registration fees	7,051	–
	375,016	316,451
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	6,051	5,526
Transaction charges	2,210	290
Safe custody and other bank charges	12,375	4,605
Interest payable	738	–
	21,374	10,421
Other expenses	14,938	11,781
Taxation payable:		
Overseas tax	–	1,272
Stamp duty reserve tax	5,363	11,621
	5,363	12,893
Total creditors	3,192,983	533,427

9. RELATED PARTY TRANSACTIONS

Disclosure is made in note 9 of the Notes to the Aggregated Financial Statements.

10. SHAREHOLDER FUNDS

Disclosure is made in note 10 of the Notes to the Aggregated Financial Statements.

11. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or outstanding commitments at the balance sheet date (31.12.09 : none).

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are disclosed in note 12 of the Notes to the Aggregated Financial Statements.

ii. *Interest rate risk*
The table below shows the interest rate risk profile:

	31.12.10 £	31.12.09 £
Floating rate assets:		
Australian dollars	1,035	12,687
Brazilian real	77,353	–
Canadian dollars	10	92,071
Czech Republic koruna	–	4
Danish krone	–	74
Euros	2,405	46,039,152
Japanese yen	12	5
New Zealand dollars	264	–
Norwegian krone	34	188
South African rand	–	31
Swedish krona	41	25
Swiss francs	377	1,687
US dollars	1,173,585	620
Pounds sterling	1,018,485	1,983,541
	2,273,601	48,130,085
Floating rate liabilities:		
Euros	(19)	–
Pounds sterling	(511,583)	–
	(511,602)	–
Assets on which interest is not paid:		
Australian dollars	1,715,438	1,541,478
Brazilian real	2,324,749	1,672,359
Euros	79,595,101	52,691,908
Japanese yen	1,853,679	1,092,020
New Zealand dollars	–	355,341
Norwegian krone	13,578,595	8,073,954
Swedish krona	7,769,213	4,467,070
Swiss francs	23,461,444	9,310,355
US dollars	34,026,363	19,109,202
Pounds sterling	120,452,270	100,772,287
	284,776,852	199,085,974

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

	31.12.10 £	31.12.09 £
ii. Interest rate risk (continued)		
Liabilities on which interest is not paid:		
US dollars	–	(1,272)
Pounds sterling	(4,608,651)	(2,614,989)
	(4,608,651)	(2,616,261)
Net assets	281,930,200	244,599,798

The floating rate financial assets and liabilities comprise bank balances and bank overdraft positions which earn or pay interest at rates linked to UK LIBOR or its international equivalents.

There are no material amounts of non-interest bearing financial assets and liabilities, other than equities, which do not have maturity dates.

iii. Foreign currency risk
The table below shows the foreign currency risk profile:

	31.12.10 £	31.12.09 £
Currency:		
Australian dollars	1,716,473	1,554,165
Brazilian real	2,402,102	1,672,359
Canadian dollars	10	92,071
Czech Republic koruna	–	4
Danish krone	–	74
Euros	79,597,487	98,731,060
Japanese yen	1,853,691	1,092,025
New Zealand dollars	264	355,341
Norwegian krone	13,578,629	8,074,142
South African rand	–	31
Swedish krona	7,769,254	4,467,095
Swiss francs	23,461,821	9,312,042
US dollars	35,199,948	19,108,550
	165,579,679	144,458,959
Pounds sterling	116,350,521	100,140,839
Net assets	281,930,200	244,599,798

vii. Sensitivity analysis
The Fund held no derivatives of a material nature during the current or prior year.

	31.12.10 £	31.12.09 £
13. PORTFOLIO TRANSACTION COSTS		
Analysis of total purchase costs		
Purchases in year before transaction costs	185,341,415	197,805,901
Transaction costs:		
Commissions	206,825	267,407
Stamp duty and other charges	310,945	365,667
	517,770	633,074
Gross purchases total	185,859,185	198,438,975
Analysis of total sale costs		
Gross sales before transaction costs	128,925,350	209,852,716
Transaction costs:		
Commissions	(138,574)	(269,475)
Other charges	(504)	(2,959)
	(139,078)	(272,434)
Total sales net of transaction costs	128,786,272	209,580,282

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 DECEMBER 2010 – IN PENCE PER SHARE

Interim
No interim distribution was paid in the current or prior period.

Final
Group 1 – Shares purchased prior to 1 July 2010
Group 2 – Shares purchased on or after 1 July 2010 and on or before 31 December 2010

Income Shares	Net Revenue	Equalisation	Payable 28.02.11	Paid 28.02.10
Group 1	13.5528	–	13.5528	20.8265
Group 2	–	13.5528	13.5528	20.8265

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

GENERAL INFORMATION

Head Office: Ibex House, 42 – 47 Minories, London EC3N 1DX.

Address for Service: The Head Office is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it.

Base Currency: The base currency of the Company is pounds sterling. Each sub-fund and class is designated in pounds sterling.

Share Capital: The minimum share capital of the Company is £1 and the maximum is £100,000,000,000.

Shares in the Company have no par value. The share capital of the Company at all times equals the sum of the net asset values of each of the sub-funds.

STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the Financial Services Authority and the agreement of the Depositary. On the introduction of any new sub-fund or class, a revised prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. The sub-funds which are currently available are:

CF Odey Continental European Fund
CF Odey Opus Fund

In the future there may be other sub-funds of the Company.

CLASSES OF SHARES

The Company can issue different classes of shares in respect of any sub-fund.

Holders of Income shares are entitled to be paid the revenue attributable to such shares, in respect of each annual or interim accounting period.

Holders of Accumulation shares are not entitled to be paid the revenue attributable to such shares, but that revenue is retained and accumulated for the benefit of shareholders and is reflected in the price of shares.

VALUATION POINT

The valuation point of the Funds is 12.00 noon on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

BUYING AND SELLING SHARES

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm. Instructions to buy or sell shares may be either in writing to: 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

As a sub-fund is not a legal entity, if the assets of one sub-fund are insufficient to meet the liabilities attributable to it, the ACD may re-allocate such liabilities between the sub-funds then in existence in a manner which is fair to shareholders generally. This re-allocation will normally be performed on the basis of the respective net asset values of the sub-funds.

Ibex House, 42 – 47 Minories, London EC3N 1DX
T 0870 607 2555 F 0870 607 2550 www.capitafinancial.com