LF Odey Opus Fund

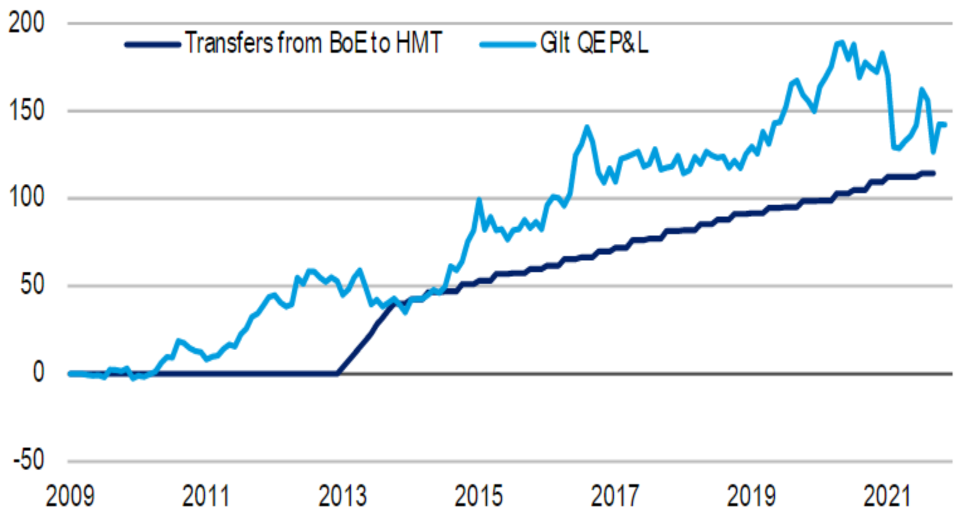
ODEY
ASSET MANAGEMENT

Portfolio Manager Report

The market, thanks to the presence of government buying of bonds via QE, is still convinced that inflation is temporary. How many years can interest rates stay below 1% with inflation around 5%?

Moreover, on our numbers inflation is still set to rise further into next year, not helped by the lack of investment in oil and conventional energy. Oil at $120 bbl looks quite likely. Just as riders have reins because the bridle is attached to one of the most sensitive parts of a horse's body, so central banks have control over interest rates because the cost of borrowing is equally sensitive. There is an enormous cost to be borne by the unwillingness of central banks to slow economies down by using interest rates. But they are conflicted now.

The QE portfolio has made £142bn, but the BoE has paid most of it to the Treasury
BoE's profit on its Gilt portfolio and cumulative transfers to Treasury, £bn



Source: Bank of England, BofA Global Research, Bloomberg.

As this chart shows, so long as the BOE does not raise rates it continues to make money for the treasury. But once short rates rise beyond 1% the Bank of England will be losing money. Failing to raise rates however means that inflationary pressures can multiply. Many industrialists are now looking for 10% inflation by the middle of next year.

Performance

-1.5%	Monthly performance
19.2%	Year-to-date performance
9.0%	CAGR since inception

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

Fund details[1]

£ R Inc Class	5064.87
£ I Acc Class	243.22
£ I Inc Class	228.43
£ A Acc Class	180.11
Fund Size	£114 million
Strategy AUM	$369 million
Fund Inception	06 Aug 2001
Class Inception	06 Aug 2001
Fund Type	UK Long Only UCITS

Portfolio Managers

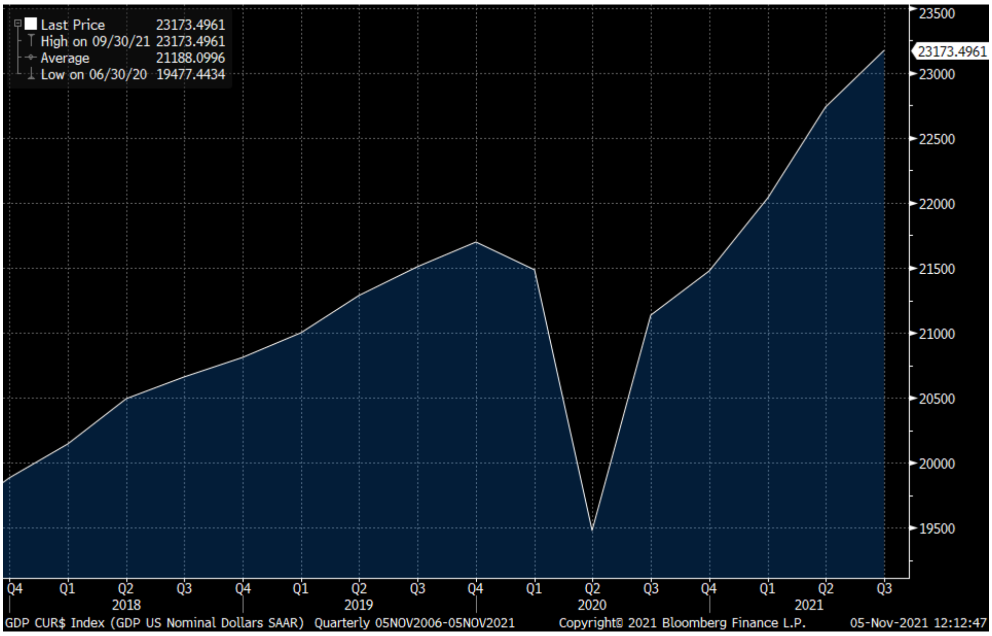
Crispin Odey
Freddie Neave

For full bios visit odey.com

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ R Inc share class. All data shown as at 29 October 2021. [1]Link Fund Solutions and Bloomberg, calculation on a NAV basis with net income reinvested.

Remember one year ago Tim Congdon, on the back of the money supply numbers, was predicting that nominal GNP in the USA would rise by 30% over an 18-month period. Here is the chart which shows so far that nominal GNP is only up 19% from the lows.

GDP US Nominal Dollars SAAR



Source: Bloomberg.

Let's take a recent example of how inflation is waking. The Daily Mail was complaining that paper is 20% of revenues and this year paper prices are up 60%. The Daily Mail usually has profit margins of 15%. This year going forward they will be 3%. But they are going to need to raise cover prices by 12% to get back to normal margins. So, the 12% goes into next year and makes the idea of a one off inflation spurt 'ridiculous remote.'

Similarly take a look at banks. Loan lending needs to increase by 5% year on year to keep lending in real terms flat. Otherwise, the banks are effectively in run off. But lending of 5% should, even without a pick up in the velocity of circulation of money, add some 4.5% to inflation next year. Triple lock means pensions will be running at +5%, minimum wage +6.5%... Next year 5% inflation will be the base. Yes, there will be demand destruction from these price increases but much more likely stagflation. The authorities are at present in charge of the pricing of money. But the Bank of England has only £20 billion left of its £780bn armoury to spend on keeping rates down. The very idea of pouring more money into an economy which is overheating and suffering rampant shortages and price increases defies any logic.

Stock markets are still enjoying the Indian summer afforded by these central bankers. There is as yet nothing to ground share prices and so one watches new stock market records being set each day. Until the bond market, forced from its QE, gets to pricing in the inflation coming, the bulls are in charge.

We have recently been looking into the oil palm plantations in Malaysia and Indonesia with interest. They have a bad name because the forests, especially of Indonesia, once cut down were farmed for palm oil. However, there is now great protection and rightly, of the forests. Palm oil's obloquy was solely because it was the crop of choice of these forest destroyers because it was just so profitable. Palm oil makes the farmer $7500 per hectare when exported. The government takes $1500 so is very happy. Operating costs are about 45% of revenues, so profits are around $2500 per hectare. Interestingly the plantations can create their own electricity from burning the husks of the fruit and, learning from the nationalisation of the industry when Sularto took over in the late 60's, they encourage small plantation owners to grow palm oil around the edges of their plantations. They provide them with schools, free electricity and help sell the harvest for them. Never have I seen a system so well suited to survive, nor one which is now so ESG friendly and entirely renewable. These companies are attractively priced partly because in the min teen years they stupidly reduced their fertilizer and potash inputs and suffered, 3 years later, large reductions in productivity. These inputs have almost doubled in the last 12 months but palm oil tends to trade in line with oil and these inputs account for 8% of revenues.

The UK market remains completely unloved. Whilst interest rates and bond yields are where they are, nothing will change. However, such is the bubble of the last few months, that elsewhere even before interest rate rises, many shares are now ridiculously valued. Tesla has joined the immortals. If Tesla achieves everything it can, by 2030 it will have sales of $500bn up from $50bn today and margins of 8% or $40billion. At $1.2trilion it is on 30x pre-tax 2030 numbers. That is priced for perfection. However, it reflects merely that when money is mispriced, there are consequences to be found, everywhere.

Remember 5% inflation is where the real economy starts from, next year. Companies like DMGT will be playing catch up but not as badly as the BOE will need to. The BOE committee has already said that it will not be looking to commodity price rises but to wage increases to determine whether this inflation is dangerous. This looks back to past moments when commodity prices were rising, 2005, 2008, 2011/12 and it was wrong to put up rates. But this time globalisation is waning, investment is rising, and wage gains are already twice their average of the past. There is now quite some volatility in these longer dated bonds. That volatility does not sit with yields as low as they are in a world where inflation is still accelerating and way higher.

All asset classes are priced off interest rates and whilst rates remain low, asset prices are safe, but it feels that the Minsky moment, when markets no longer trust the authorities, is getting very close.

—
Crispin Odey

LF Odey Opus Fund

ODEY ASSET MANAGEMENT

Performance

	1-month	3-month	1-year	3-year	5-year	YTD	Since inception	CAGR since inc.
Fund	-1.5	2.7	34.2	12.8	31.6	19.2	469.9	9.0
MSCI Daily TR Net World	3.9	5.3	32.5	54.0	82.8	19.1	351.4	7.7
Relative	-5.5	-2.6	1.7	-41.2	-51.2	0.1	118.6	1.3

DISCRETE YEARLY PERFORMANCE

1-year to	31 Oct 17	31 Oct 18	31 Oct 19	30 Oct 20	29 Oct 21
Fund	3.9	12.3	-9.1	-7.6	34.2
MSCI Daily TR Net World	12.9	5.1	11.3	4.4	32.5
Relative	-9.1	7.2	-20.4	-12.0	1.7

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index YTD[2]
2021	0.2	5.9	6.3	3.6	2.1	-1.4	-1.4	3.0	1.3	-1.5			19.2	19.1
2020	-6.6	-5.0	-9.8	10.0	0.6	-0.9	-2.3	0.9	-2.8	-0.9	9.2	3.0	-6.3	12.3
2019	5.5	-3.3	1.0	2.0	0.6	4.0	4.8	-8.3	-0.6	-2.0	1.5	9.5	14.4	22.8
2018	-1.6	0.1	-1.9	8.1	4.2	1.7	0.3	-1.5	4.1	-3.9	-3.6	-8.5	-3.6	-3.0
2017	1.2	2.0	-1.0	-2.0	3.3	-2.7	-0.3	3.6	-2.6	1.9	-0.3	3.2	6.1	11.8
2016	-2.2	-0.3	-2.5	-1.4	-0.3	3.2	3.9	-1.1	1.1	3.3	-3.8	4.7	4.3	28.2
2015	2.5	1.0	2.6	-3.8	3.5	-4.6	1.2	-4.3	-2.0	2.8	1.7	-0.2	-0.2	4.8
2014	-2.9	6.4	-2.7	-2.8	3.3	-1.3	-1.9	2.1	-0.8	-0.1	6.0	1.6	6.6	11.5
2013	10.8	3.1	1.2	-0.1	6.1	-4.9	5.3	-3.0	2.9	4.3	-0.3	0.7	28.3	24.3
2012	6.8	6.6	-0.5	-3.1	-6.4	1.6	1.4	2.7	3.0	2.0	3.0	2.6	20.7	10.7
2011	3.1	2.4	-1.3	2.9	-0.9	0.7	-6.5	-12.4	-5.6	11.0	-7.7	1.2	-14.2	-4.8
2010	-3.7	3.9	8.4	-1.3	-7.8	-1.6	3.6	-5.7	7.0	2.6	0.1	6.7	11.4	15.3
2009	-8.4	-6.1	2.6	20.6	1.6	-2.9	7.6	12.0	5.5	-8.3	-1.8	1.4	21.8	15.7
2008	-6.2	5.6	0.0	1.7	1.1	-7.1	-4.5	3.9	-13.2	-7.5	6.4	9.5	-12.1	-17.9
2007	-0.5	0.9	3.7	4.9	5.2	-1.9	-2.0	-2.4	4.9	1.5	-3.1	4.2	15.9	7.2
2006	3.8	1.2	2.9	2.9	-9.5	0.8	0.9	-0.3	-0.8	2.2	1.1	3.1	8.1	5.4
2005	0.6	5.3	0.9	-4.1	-1.4	3.0	5.6	1.6	2.2	-3.0	4.0	2.9	18.6	22.5
2004	2.0	-0.5	1.5	-0.3	-2.1	1.6	-1.2	0.8	0.3	2.1	5.8	0.6	10.8	6.7
2003	-0.5	-0.8	-2.0	9.8	7.1	0.5	5.0	2.9	4.9	2.3	2.0	0.9	36.4	19.9
2002	1.2	1.4	3.9	8.1	1.4	-4.0	-6.0	5.4	-6.1	5.3	4.4	0.2	15.1	-27.6
2001								-1.7	-9.3	1.5	6.8	-0.6	-4.1	-8.0

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Class Inception	06 Aug 2001
Fund Type	UK Long Only UCITS
Comparators	Primary: MSCI Daily TR Net World GBP
Base Currency	£

Live fund dashboard

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

View dashboard on odey.com >

Important information

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

This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available at odey.com. The performance calculation shown is based on the GBP share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

Fund team and contact details

PORTFOLIO MANAGERS

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Freddie Neave

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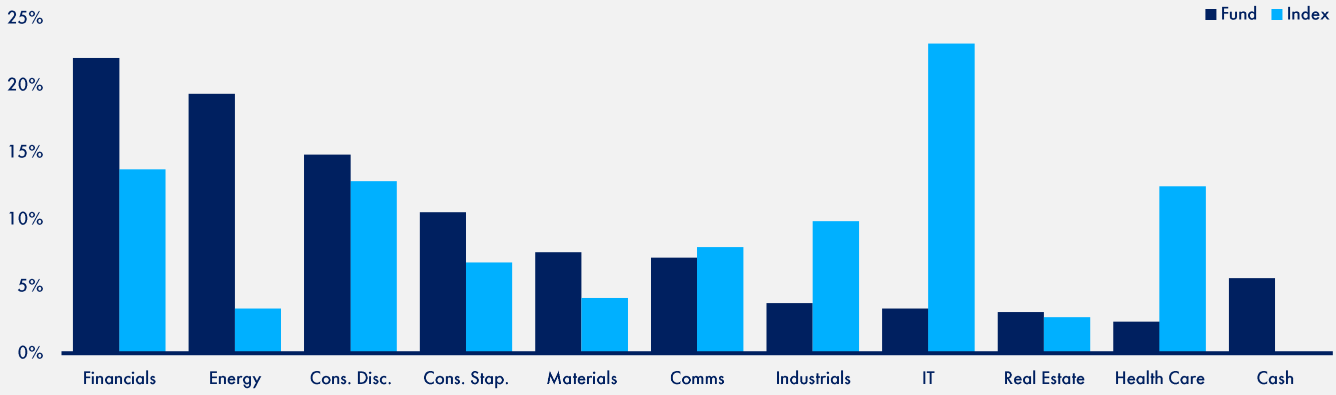
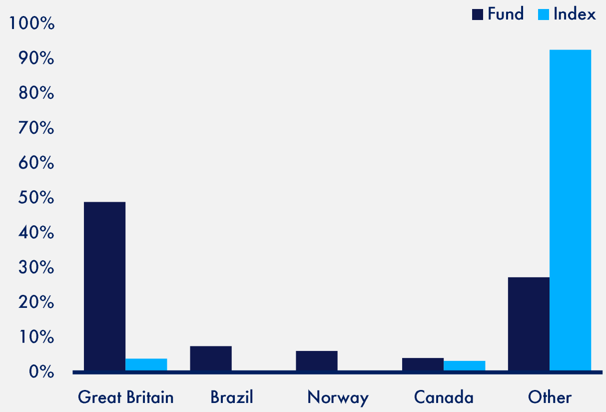
Note: Link Fund Solutions Ltd appointed Authorised Corporate Director in 2006. Allocation figures are taken at close of business whereas Fund performance is taken at 12pm. Equity exposure includes all equity related instruments. Currency exposure relates to exposure of all assets held by the fund including any forward currency positions. Equity exposure as classified by GICS.
Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the £ R Inc share class. All data shown as at 29 October 2021. [1]Link Fund Solutions and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share. [2]MSCI Daily TR Net World.

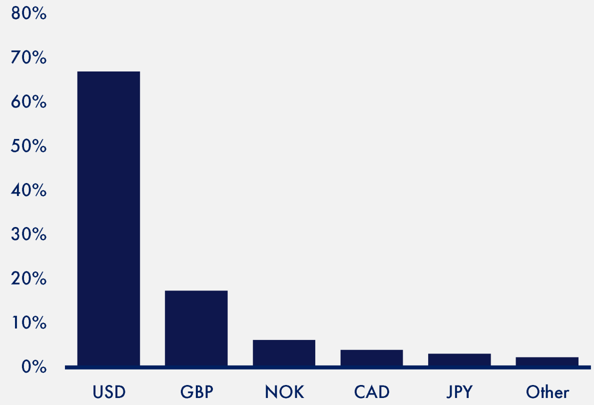
Equity exposure by sector



Equity exposure by geography



Currency exposure



Top ten holdings as percentage of NAV

	Notional Exposure
MAN GROUP PLC	9.7%
SLC Agricola	7.6%
Aker BP	6.2%
Pendragon	4.8%
Currys	4.7%
Jadestone Energy	4.6%
BT	4.5%
Barclays	4.4%
Barrick Gold	3.5%
Leopalace21	3.1%

Statistics

	1-year	3-year	5-year	Inception
Fund annual s.dev.	37.2	35.6	28.5	19.8
Index annual s.dev.	11.8	14.7	12.3	14.7
Alpha	4.0	1.3	0.8	0.5
Beta	0.5	0.8	0.8	0.8
Correlation	0.2	0.3	0.4	0.6
Sharpe Ratio	1.8	0.7	0.7	0.6
Information Ratio	1.2	0.3	0.2	0.3
Tracking Error	38.7	33.8	26.7	16.5

Investment objective and policy

The LF Odey Opus Funds (‘The Fund’) aims to achieve long-term capital growth primarily through investment in quoted equity and fixed interest stocks throughout the world.

APPROACH

The Fund is a return seeking long-only equity strategy harnessing Crispin Odey’s expertise and the significant research resource at Odey. The Team uses an assessment of economic events to determine asset allocation and detailed fundamental research to select and size individual positions. The Fund is built without reference to a formal benchmark and invests mainly in Developed Markets.

RISK CONSIDERATIONS

This Fund has considerable latitude over its asset allocation and may own sophisticated instruments such as futures and options for efficient portfolio management. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor’s total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

Investor information

Share classes	£R, £I (Acc. & Inc.), £A	**Minimum investment**	‘I’ £1,000,000, ‘R’ & ‘A’ £5,000
Trade date	Daily	**Dividends**	Income and Accumulation share classes available
Dealing	Forward to 12pm	**Authorised Corporate Director (ACD)**	Link Fund Solutions Ltd
Valuation	12pm	**Auditor**	Ernst & Young LLP
Front end fee	Up to 5%	**Depositary**	The Bank of New York Mellon (International) Limited
Ongoing charge	R 1.75%, I 1.25%, A 2.00%	**Price reporting**	Prices published daily on www.odey.com, Bloomberg and by other third party data providers.
Investment management fee	R 1.39%, I 0.89%, A 1.64%	**ISIN**	‘R’ GB00B1JMNF99 ’I’ Acc GB00B54RK123, ‘I’ Inc GB00B717BM70, ‘A’ GB00B87YPX87
Anti-dilution fee	My apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur	**SEDOL**	‘R’ B1JMNF9, ‘I’ Acc B54RK12 , ‘I’ Inc B717BM7, ‘A’ B87YPX8

Important information

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

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Glossary of terms

Please refer to the fund's prospectus for detailed information. Some terms listed are not relevant for every fund. This document is intended for use by individuals who are not familiar with investment terminology. Please contact Odey if you need an explanation of these terms.

Absolute return: The return that an asset/fund achieves over a period of time looking at the appreciation or depreciation (expressed as a percentage) that the asset/fund achieves.

Acc/Accumulation class: A share class which accumulates and reinvests net investment income and net realised capital gains and does not pay dividends.

Active currency exposure: The percentage of a fund's assets which are invested in a particular currency.

Administrator: The specialist entity who maintains the register of shares, provides fund valuation and accounting services.

AIF: Alternative Investment Fund as regulated by the Alternative Fund Management Directive.

Alpha: A measure of performance on a risk-adjusted basis, often seen as the active return on an investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund: LF Odey Opus Fund.

Global Industry Classification Standard (GICS): A standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's.

Government bond: A bond issued by a government to support government spending, often issued in the country's domestic currency.

Gross: The total rate of return on an investment before the deduction of any fees or expenses.

Hedged class: A share class giving exposure to assets denominated in foreign currencies without the currency risk of the fund's base currency. Techniques and instruments are used to limit the currency risk between the hedged class and the base currency.

Hedging: Hedging against investment risk means strategically using financial instruments in the market to reduce the risk of adverse price movements.

High water mark: The highest value that an investment fund or account has reached over a specified period of time.

Information ratio: A measure of the fund's returns above the returns of the benchmark to the volatility of those returns.

Investment management fee: The fee payable by the fund to the investment manager to cover expenses associated with running the fund.

Investment Manager: Odey Asset Management LLP.

ISIN: An ISIN (International Securities Identification Number) uniquely identifies a security.

KIID: A KIID (Key Investor Information Document) must be provided to anyone who invests in a UCITS.

Leverage: An investment strategy of using borrowed money and/or financial instruments to increase the potential return of an investment.

Long: The practice of buying securities with the expectation the asset will rise in value.

NAV: The NAV (net asset value) of a fund is the value of the fund's assets less its liabilities. NAV per share is the value per share and is calculated by dividing the total NAV of the fund by the total number of shares.

Net: The total rate of return on an investment after the deduction of any fees or expenses, including annual management fee and performance fee where applicable.

Notional Exposure: The total value of a fund's leveraged assets.

Ongoing Charges Figure (OCF): A figure showing all annual charges and other operational expenses payable by a fund.

Performance attribution: A set of techniques that are used to explain why a fund's performance differs from a benchmark.

Performance fee: A fee payable to the investment manager on returns that, subject to a High Water Mark, the fund achieves either in absolute terms or relative to a performance fee benchmark. Please refer to fund prospectus for details.

Portfolio: A group of financial instruments such as shares, funds, bonds, cash and cash equivalents held by an investor and managed by a financial professional.

Proprietary currency positions: Foreign exchange contracts entered into by the fund for investment rather than hedging purposes.

Quoted securities: A quoted or listed security is a financial instrument that is traded through an exchange, such as the LSE, NYSE or Nasdaq.

Rebased method: Used to illustrate a fund's performance against comparative benchmark on a chart whereby they both start at the same point.

Rel/Relative: Calculates how much the fund has out/underperformed its comparative benchmark.

SEDOL: A SEDOL (Stock Exchange Daily Official List) is a unique number assigned by the London Stock Exchange and used in the UK and Ireland to identify securities.

Share class: A designation applied to a specified type of security such as shares in a fund. Each share class has its own rights.

Sharpe ratio: A measure for calculating risk-adjusted performance; the higher the ratio, the better risk-adjusted performance.

Short: The practice of selling borrowed securities with the expectation that the assets will decrease in value whereupon they will be repurchased and returned to the lender.

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

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

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

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

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

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

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

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

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