

ODEY SWAN FUND

ODEY
ASSET MANAGEMENT

Fund Manager Report

Assets are priced for eternal delight and negative real interest rates lasting forever. But meanwhile the costs of this perfect environment are rising exponentially. The financial injection to keep the system going is rising by 1.8x every fifteen months and each clip is already some 30% of world GNP. Negative interest rates start mucking around with the incentives. Savings fall and therefore credit needs to rise by more. Yes individuals have a savings rate of twice what they had at the beginning of COVID, but only because the governments have given them the money with furlough and tax holidays so that governments' debt has risen at twice the rate that savings have risen.

So we have markets priced for financial perfection and a world stretching out to eternity of free money and behind scenes anything but that. And herein lies the opportunity. Bubbles always have a seed of truth to them. They always need the preceeding of large debt build up, which gives individuals the money to feed the bubble. They never last and the closer to the end they get the more money is made by those in it. Inevitably, and what makes them bubbles, is that there will be a time when those that didn't get involved will be glad that they didn't.

This time governments will not be able to save their voters from the consequences of policies which they initiated. Who cares about the scenes on Capitol Hill? What is being done to the sustainable fabric of our political economy internally, is much more dangerous. This is more populist than Trump and now easy to see, as ephemeral.

Why haven't pharma companies participated in this P/E expansion? Because they are patent protected businesses. They are not long duration assets. Meanwhile whether you are Trip Advisor, Bookings.com, Just Eat, Deliveroo or Delivery Hero, you have neatly positioned yourself to take orders which you pass on to restaurants and take 15% of the purchase price for the privilege. The restaurants themselves are likely to make a 15% ROS, so these groups' tax is equivalent to 100% of the restaurant's profits. Currently these parasite companies trade at 10x sales. Restaurant groups typically are valued between 70% and 170% of sales. But whilst interest rates don't exist, look how easily Delivery Hero raised last Wednesday 50% of revenues, which was only by issuing 5% more shares. Again, provided that inflation does not come back and interest rates don't have to go up, this world can continue. Amazingly the Central Bank have persuaded investors that they can do this forever. Or at least the endless rise in prices has got the shoeshine boy into the market.

The authorities should be afraid of the consequences. People are never as poor as those who have felt rich. However just as the economy is now held hostage by the NHS, so the Bank of England and the savings institutions are held hostage to government. And of course that is where it will break down. Governments now also believe they can effectively print money forever.

Tim Bond, Odey Partner and Portfolio Manager of the Odey Odyssey Fund, recently highlighted that present forecasts of GNP growth for the USA in 2021 look far too low. Biden's auxiliary \$700 billion spending plan when added to the agreed \$900 billion will naturally give the US economy a 7% growth rate before you add in the 7% trapped savings which will be unleashed when people feel safe. No wonder that everything is going through the roof – commodities, houses, stocks, bitcoin, and earnings forecasts. Tim has double digit US GNP growth for the next two years. Inflation of 10-15% is expected to start coming through this year.

Performance

-3.8% Monthly performance

-27.3% Year-to-date performance

-12.6% CAGR since inception

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

Fund details¹

€ R Class	35.09
€ I Class	36.46
€ IR Class	36.62
\$ I Class	39.48
\$ R Class	38.11
£ I Class	39.41
£ R Class	39.54
AUD I Class	41.15
Fund Size	€100 million
Strategy AUM	\$422 million
Fund Inception	08 Mar 2013
Class Inception	14 Mar 2013
Fund Type	Irish Long/Short UCITS

Portfolio Managers

Crispin Odey
Freddie Neave

For full bios visit odey.com

This is giving new investors a taste of easy money. The desire to play the stock markets has spread even faster than the latest mutation of COVID and is responsible for the lift off in stock markets in December and now January. My contribution to all of this is unwanted.

This market is now dependent on accommodating monetary conditions and zero real interest rates permanently – sort of peak economic performance forever.’

Private sector M4 growth year on year may be only 5%, but thanks to government spending and QE that marches by its side, M4 growth overall is 14% and rising. 14% M4 growth would usually be associated with 10/11% inflation. M4 private loan growth of 5% would allow for 3% inflation. Which is it going to be?

Either way there is no place for shorting until the multiples are up around 120x earnings. But that of course is where many of the tech stocks trade. At least 100x two year out profits predicated on 30/40% growth rates in sales.

When everyone else is playing the last piece of the bubble, when profits can be great but definitely not sustainable, why not take advantage of this bubble (in this case in bonds) to borrow for 40 years at 0.8% which will look better and better as the years go past? Nothing is certain, but this has the soundness of history in its favour. What everything looks like when the trade is working God only knows?

That train left the station long ago. As Hilaire Belloc wrote,

*‘... always keep a-hold of Nurse
For fear of finding something worse.’*

Nurse, nurse, where are you now? So far investors have voted with their feet; when will they vote with their heads?

Crispin Odey

A note on Crispin’s Q4-20 Investor call

Owing to current remote working conditions, Crispin will not be conducting an investor call for Q4-20. However, should you have any specific questions you would like to put to him, please email them to marketingteam@odey.com and he will respond accordingly.

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Performance

	1-month	3-month	1-year	3-year	5-year	YTD inception	Since inception	CAGR
Fund	-3.8	-11.5	-27.3	-13.2	-62.6	-27.3	-64.9	-12.6
MSCI Daily TR Net Europe	2.4	10.8	-3.4	9.0	23.3	-3.4	59.5	6.2
Relative	-6.1	-22.3	-23.9	-22.2	-85.8	-23.9	-124.4	-18.7

DISCRETE YEARLY PERFORMANCE

	1-year to	30 Dec 16	29 Dec 17	31 Dec 18	31 Dec 19	31 Dec 20
Fund		-44.0	-22.9	37.5	-13.2	-27.3
MSCI Daily TR Net Europe		2.6	10.2	-10.6	26.1	-3.4
Relative		-46.6	-33.2	48.1	-39.3	-23.9

MONTHLY PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-8.4	-1.3	19.7	-7.7	-8.0	-5.8	-2.3	-0.2	-2.7	0.2	-8.2	-3.8	-27.3
2019	-1.1	-8.5	-0.4	-5.7	12.0	-1.8	2.4	-7.4	-9.7	0.6	-2.9	10.8	-13.2
2018	-3.5	6.4	2.9	3.5	0.2	5.0	1.8	-1.7	9.1	6.8	0.2	2.4	37.5
2017	1.8	-3.3	-4.1	-4.8	3.8	-0.6	-9.1	1.1	-6.1	1.4	-1.5	-3.6	-22.9
2016	5.7	-10.5	-18.8	-8.8	3.2	3.9	-4.9	-6.3	-3.4	-6.1	-5.9	-1.9	-44.0
2015	3.3	-6.8	3.8	-18.6	4.2	0.1	1.1	6.6	7.0	-14.5	-1.1	4.4	-13.8
2014	-1.9	3.6	-6.3	-7.3	0.0	-0.5	-2.1	-0.4	10.0	-5.9	5.1	12.1	4.5
2013			-2.0	1.6	4.4	-6.9	1.9	-3.5	2.3	1.9	2.6	2.3	4.1

Fund details¹

€ R Class	35.09
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Fund Inception	08 Mar 2013
Class Inception	14 Mar 2013
Fund Type	Irish Long/Short UCITS
Comparators	Primary: Cash Secondary: MSCI Daily TR Net Europe EUR
Base Currency	€

Live fund dashboard

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

[View dashboard on odey.com >](#)

Important information

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

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

Fund team and contact details

PORTFOLIO MANAGERS

Crispin Odey
Freddie Neave

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

ENQUIRIES

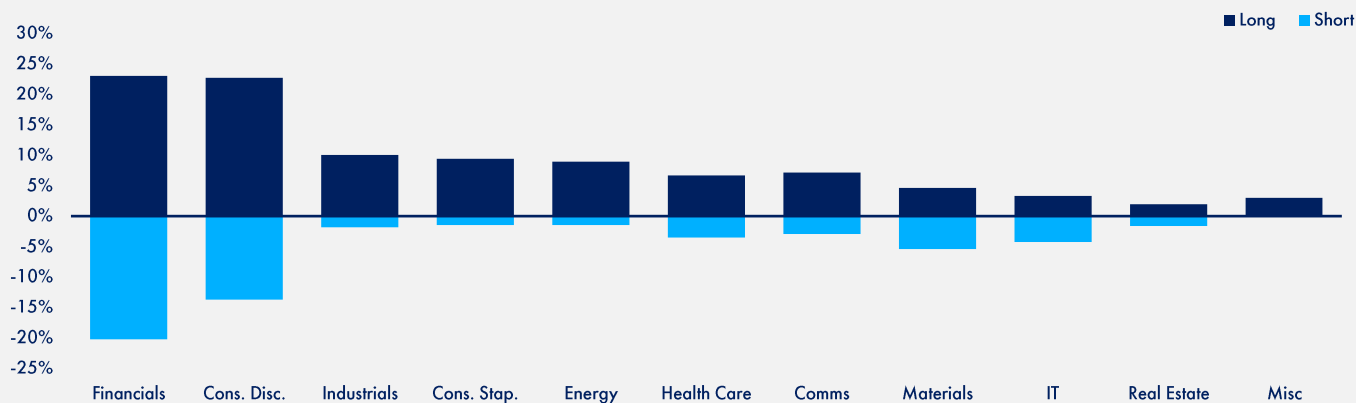
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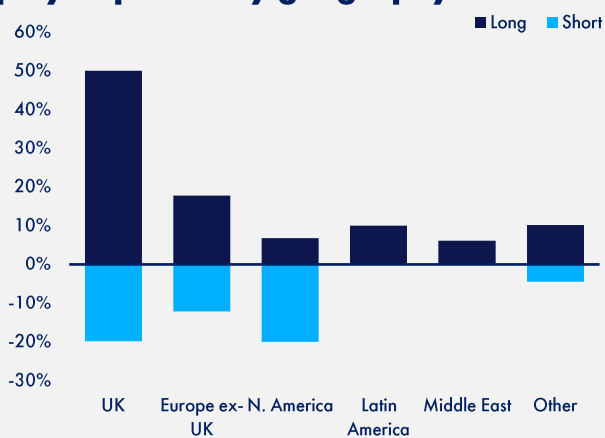
Note: Equity exposure includes all equity related instruments. Any exposure to fixed income, bond futures (except Emerging Markets) or interest rate futures is provided on a ten-year adjusted basis. Currency exposure shows non-base currency through forward currency contracts and portfolio holdings. Past performance is net of fees and other charges and includes the reinvestment of dividends. Equity exposure as classified by GICS.

Source: All sources, unless otherwise stated, are Odey internal unaudited data and refer to the € R share class. All data shown as at 31 December 2020. ¹U.S. Bank Global Fund Services (Ireland) Limited and Bloomberg, calculation on a NAV basis – the share class prices refer to NAV per share.

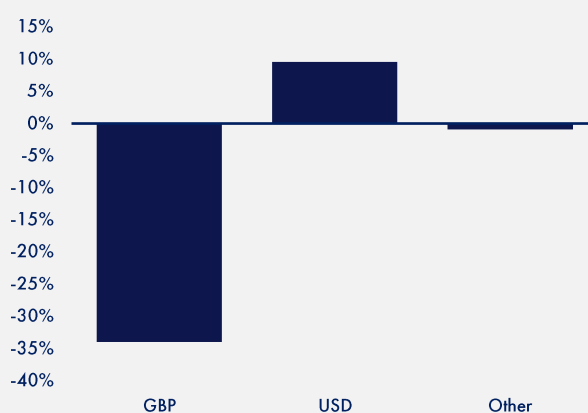
Equity exposure by sector



Equity exposure by geography



Non-base currency exposure



Top ten holdings as percentage of NAV

	Strategy	Notional Exposure
UKT 0 1/2 10/22/61	Short	-133.3%
UKT 0 5/8 10/22/50	Short	-98.7%
IRS: Fix/Float ICE LIBOR GBP 6-M	Short	-67.7%
UKT 1 3/4 09/07/37	Short	-53.6%
UKT 0 5/8 07/31/35	Short	-9.4%
Pendragon	Long	8.5%
SLC Agricola	Long	6.8%
BT	Long	6.4%
Plus500	Long	6.1%
Barclays	Long	5.1%

Statistics

	1-year	3-year	5-year	Inception
Fund annual s.dev.	25.4	22.2	21.5	21.7
Index annual s.dev.	24.0	16.7	14.2	13.8
Alpha	-2.4	0.1	-1.1	-0.5
Beta	-0.8	-0.8	-0.8	-0.6
Correlation	-0.8	-0.6	-0.5	-0.4
Sharpe Ratio	-1.1	-0.1	-0.8	-0.5
Information Ratio	-0.5	-0.2	-0.7	-0.6
Tracking Error	47.1	34.9	31.9	30.3
Tracking Error	31.0	24.4	29.8	26.9

Asset allocation as percentage of NAV

Long Equity	100.9
Short Equity	-56.4
Government Bonds	-295.0
Government Bonds - Emerging Markets	0.3
Foreign Exchange	35.5

Net	44.5
Gross	157.3
Corporate Bonds	4.9
Interest Rate	-67.7

Investment objective and policy

The Odey Swan Fund ('The Fund') aims to achieve long-term capital appreciation by investing principally in a portfolio of equities and equity related securities, debt securities and currencies. The Funds' investments will tend, over time, to be weighted towards European Securities but investments in non-European securities will not be subject to any limit. The Fund will invest in asset classes including equities, equity related securities (such as warrants, convertible bonds and exchange-traded funds), derivatives (including those simulating short positions), government and corporate debt securities, collective investment schemes (including exchange-traded funds), commodities, currencies and cash. Derivatives may be used for investment purposes and to manage the risk profile of the Fund.

APPROACH

The Fund is a return seeking long-short strategy with the flexibility to invest across a wide range of asset classes 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 may contain long and short positions in every major asset class – quoted and unquoted – and is built without reference to a formal benchmark. The Manager invests mainly in Developed Markets and has considerable freedom both to vary the gross and net positioning and to change the concentration/diversification profile of the Fund.

RISK CONSIDERATIONS

The Fund has considerable latitude over its asset allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options and own unquoted and less quoted liquid assets which may take longer to buy and sell. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

Investor information

Share classes	I (€), £, \$, AUD \$, NOK), R (€), £, \$), IR (€), \$), G (€)	Minimum investment	I class €1,000,000 (or equivalent in £, \$, AUD) R class €5,000 (or equivalent in £, \$)
Share class hedging	Non-base currency share classes are hedged	Dividends	Reporting and accumulation share classes available
Trade date (T)	Daily	Administrator	U.S. Bank Global Fund Services (Ireland) Limited
Dealing	By 2pm T-1	Auditor	Deloitte & Touche, Ireland
Valuation	Close of business T-1	Depository	J.P. Morgan Bank (Ireland) plc
Front end fee	Up to 5%	Price reporting	Prices published daily on www.odey.com , Bloomberg and by other third party data providers.
Annual management fee	I & IR 1.0%; R 1.5%	ISIN	€I IE00B4WC4097, £I IE00B87KFG99, \$I IE00B8B7QR45, NOK I IE00BWZML900, AUD I IE00BFTCNC48 €R IE00B988MM46, £R IE00B7W59X71, \$R IE00B8MJTS18, €IR IE00B6YRXX9, \$IR IE00B9LHGC62, €G IE00BYQFTJ83
Performance fee basis	20% of the absolute outperformance of the share class during a performance period. Fees crystallise annually, and on redemption. Underperformance is carried forward.	SEDOL	€I B4WC409, £I B87KFG9, \$I B8B7QR4, NOK I BWZML90, €R B988MM4, £R B7W59X7, \$R B8MJTS1, €IR B6YRXX9, AUD I BFTCNC48, \$IR B9LHGC6, €G BYQFTJ8
Anti-dilution fee	Applies to subs/reds if net subs/reds >5% of NAV		

Important information

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

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund: Odey Swan Fund.

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

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

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

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

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

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

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

Investment Manager: Odey Asset Management LLP.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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