ODEY
ASSET MANAGEMENT

Odey International Fund
Fund Update | 30 June 2017

Total returns

At 30 June 2017	1 month %	3 months %	6 months %	1 year %	Inception % p.a. (Jul 2014)
Odey International Fund	-0.39	-1.39	-6.18	-29.08	-15.41
MSCI World Index Daily TR Net Local	0.02	2.67	8.25	18.82	7.77
Outperformance	**-0.41**	**-4.06**	**-14.43**	**-47.91**	**-23.19**

Monthly returns*

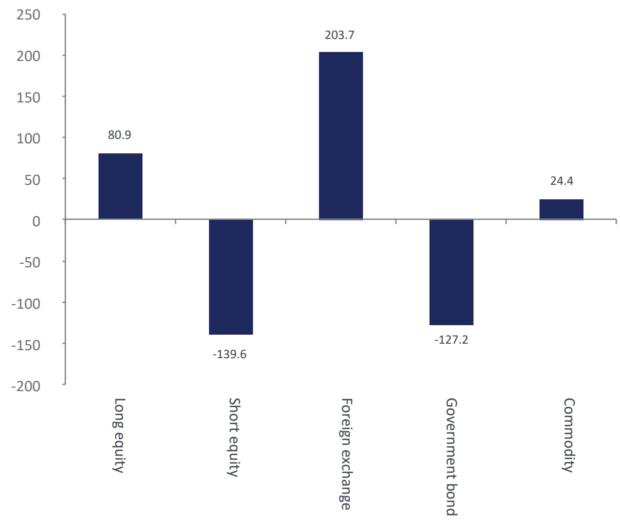
Year	Jan %	Feb %	Mar %	Apr %	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %	Idx YTD %
2017	2.12	-3.12	-3.83	-4.74	3.92	-0.39							-6.18	8.25
2016	4.99	-8.85	-18.42	-8.18	3.59	4.34	-4.64	-6.07	-3.26	-5.92	-5.73	-1.64	-41.43	9.00
2015	3.61	-6.53	3.78	-18.18	4.48	0.31	1.35	5.99	5.99	-12.18	-0.95	4.73	-10.60	2.08
2014								-0.08	10.51	-5.54	5.42	11.21	24.80	3.34

*Performance of the Odey International Fund since inception on 29 July 2014

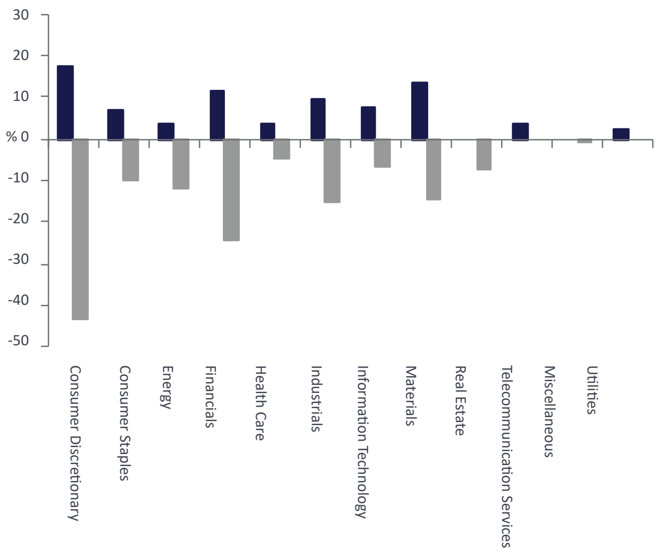
Top 10 holdings

Rank	Security	Strategy	Notional exposure (%)
1	Long Gilt Future Sep17	Short	-99.2
2	JPN 10Y Bond(Ose) Sep17	Short	-28.0
3	Randgold Resources	Long	7.9
4	Lancashire Holdings Limited	Short	-6.5
5	Sky	Long	6.4
6	Ashmore	Short	-5.5
7	Hunter Douglas	Long	4.9
8	Man Group	Long	4.9
9	Vale	Short	-4.8
10	ETFS Physical Silver	Long	4.8

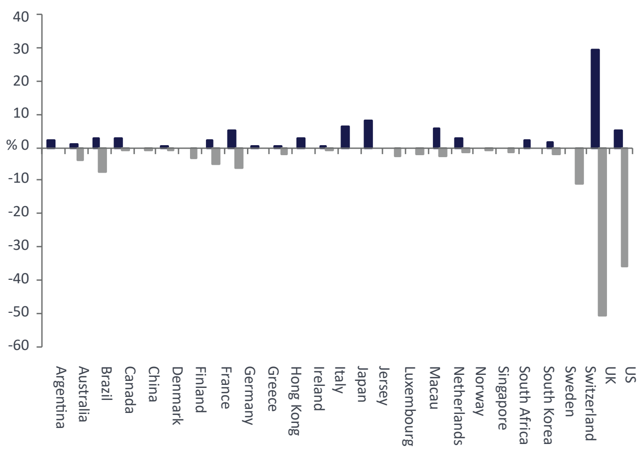
Asset allocation



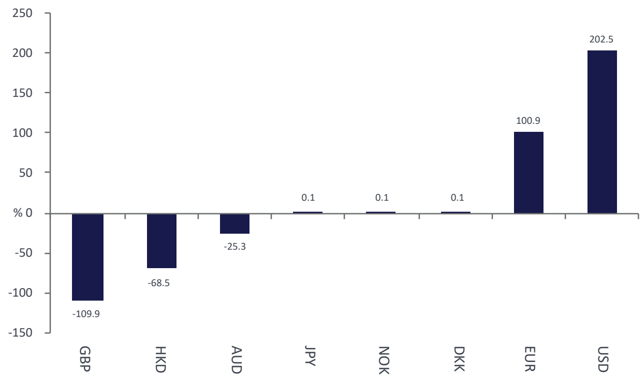
Allocation by industry



Allocation by country



Currency exposure



Performance review

- In June, the Fund returned -0.39% against the MSCI Daily TR Net Europe return of +0.02%.
- Positive returns notably came from our holdings in sectors including Energy (+1.4%), Consumer Staples (+0.2%) and Information Technology (+0.2%). Negative returns primarily came from the Materials (-1.0%), Industrials (-0.5%) and Financials (-0.5%) sectors.
- Individual best performers this month were short positions in Tullow Oil (+1.0%), Weatherford International (+0.6%) and Debenhams (+0.4%). The worst were long positions in Pendragon (-0.7%) and Randgold Resources (-0.6%), and a short position in Aker (-0.3%).

Manager's commentary

There was a photograph of our retired Governor of the Bank of England, Mervyn (Lord) King enjoying a day at Wimbledon. Incentive is everything. Our current Governor will return to Canada and so his interest in the ultimate outcome for the UK is decidedly less involved. Interest rates averaging 0.25% and 10 year bond yields driven down by bank buying to around 1%, do not encourage the country to save. Instead we are dependent upon foreign investors to lend us money knowing that at present they are losing 2% in real terms thanks to inflation. When on top of that, members of the government start suggesting the 1% pay cap for public sector workers should be relaxed, you have the potential situation that core inflation could rise from 2% to 4% and then the cat is well and truly out of the bag.

For retailers in the UK, given they are having to cope with internet shopping already representing 23% of consumer spending as against 11% in the US and 6% on the continent, the fall in sterling is so dangerous. They are effectively three times leveraged to the forex movement. A 20% fall in sterling ensures not only that Debenham's inventory becomes £120m more expensive at the point of purchase but that, given the normal inventory / sales ratios, sales need to rise by nearly £350m on £2.5 billion. The chances of car crashes everywhere are rising.

Most interestingly, globally, is in the US, the Fed is faced with a growing shortage of potential employees. With around 400,000 unemployed and employment growth annualising at around 200,000 per month, suddenly the Fed can no longer just keep the credit cycle moving with QE but must take account of the looming leeward coastline, which will stop growth anyway.

In a world which is only used to credit expansion and has forgotten all thoughts of business cycles, this new tough Fed is unthinkable. However, to my mind, we have finally hit the peak of the cycle globally. A peak we hit in 1979, 1989, 1999, 2008 and now. Can you see it? The auto industry is already going into a recession. Inventories are 30% too high because sales have fallen by 10% from where they were. Only Europe is experiencing rising sales.

There is evidence this is more widespread, happening as it is across the commodity, industrial and retail sectors. In every previous such down cycle for the last 10 years, central banks have responded by printing money. But this time they are doing the reverse, which must, one thinks, exacerbate this trend.

All of this sits very uncomfortably with the fun being felt in the stock markets. But there, when I look at the move up since Trump's election as President, I detect the walk of a drunken man. Take Apple Inc. Profits peaked in 2015, but the multiple has expanded by 50% since then. Everything is riding on the 8x iPhone but if that replacement cycle proves weak this autumn, watch out!

About Odey Asset Management

Odey Asset Management is a highly regarded London-based investment firm managing in excess of $6 billion for institutions, private banks and individual investors. Since inception, founder and Chief Investment Officer, Crispin Odey, has built a strong investment and research team that contribute to the delivery of superior portfolio performance.

About the Fund

Managed by Crispin Odey, the Odey International Fund is an Australian-domiciled global long/short, absolute return unit trust that aims to deliver investors long-term capital appreciation by investing predominantly in equities and equity-related securities. The Fund invests in Odey Asset Management's long-standing and successful flagship strategy, Odey European Inc., which Crispin Odey established in 1992.

About Crispin Odey

Crispin Odey
Founder, Chief Investment Officer

- Established Odey Asset Management in 1991 to focus on active investment management with a focus on generating superior returns.
- One of the UK's most respected professional investors having delivered exceptional returns for investors over the long term.
- Heads the investment management team which comprises over 30 investment professionals.
- Prior to founding Odey Asset Management, Odey managed the Baring European Growth Trust and Continental European pension funds at Barings Asset Management and Framlington Fund Managers.
- Graduated from Christ Church, Oxford, in 1980 where he read History and Economics.

Key features

Manager
Odey Asset Management

Responsible Entity
Copia Investment Partners

Product inception
The Fund is a 'feeder fund' for the Odey Swan Fund, a UCITS[1] vehicle that is modelled on Odey's flagship and longest-running strategy, Odey European Inc., which began in 1992.

Suggested investment time frame
At least 5 years

Risk level
High

Minimum investment
$10,000

Management fee
1.36% p.a. (including GST and net of RITC)

Performance fee
20% (including GST and net of RITC) of the amount the Fund outperforms its hurdle

Performance hurdle
Positive return

High water mark
Yes

Platform availability
Asgard, BT Wrap, Federation Alliance, Macquarie Wrap, netwealth

[1] UCITS or 'Undertakings for Collective Investments in Transferable Securities' provides a single regulatory framework for an investment vehicle which means it is possible to market the vehicle across the European Union without concerns about the country in which it is domiciled.

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