ODEY
ASSET MANAGEMENT

Odey International Fund
Fund Update | 28 February 2018

Total returns

At 28 February 2018	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	Inception % p.a. (Jul 2014)
Odey International Fund	6.59	-0.23	-5.80	-17.46	-23.86	-16.06
MSCI World Index Daily TR Net Local	-3.53	1.21	7.86	13.58	7.81	9.03
Outperformance	**10.12**	**-1.44**	**-13.66**	**-31.04**	**-31.67**	**-25.09**

Monthly returns*

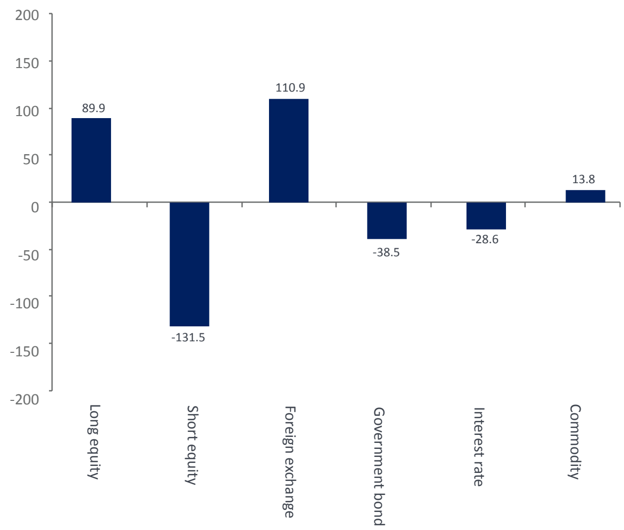
Year	Jan %	Feb %	Mar %	Apr %	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %	Idx YTD %
2018	-3.32	6.59											3.06	-0.10
2017	2.12	-3.12	-3.83	-4.74	3.92	-0.39	-8.84	1.35	-5.90	1.63	-1.27	-3.19	-20.76	18.48
2016	4.99	-8.85	-18.42	-8.18	3.59	4.34	-4.64	-6.07	-3.26	-5.92	-5.73	-1.64	-41.43	9.00
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

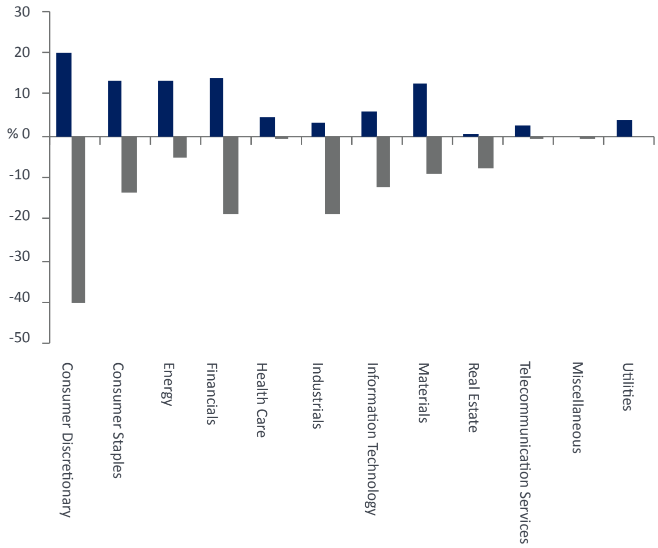
Top 10 holdings

Rank	Security	Strategy	Notional exposure (%)
1	Long Gilt Future Jun18	Short	-38.5
2	IRS: Fix/Float ICE LIBOR GBP 6m	Short	-28.6
3	SLC Agricola	Long	6.8
4	Lancashire Holdings Limited	Short	-6.2
5	Sky	Long	6.0
6	Shiseido Company	Long	5.9
7	Pendragon	Long	5.7
8	Aker BP	Long	5.1
9	iShares Physical Gold ETC	Long	4.7
10	Source Physical Gold P-ETC	Long	4.7

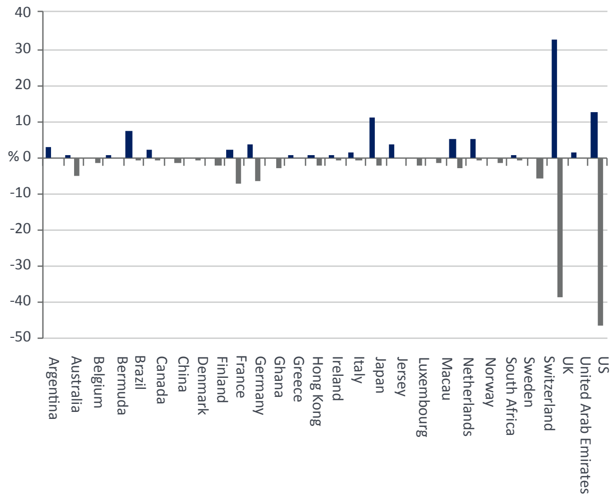
Asset allocation



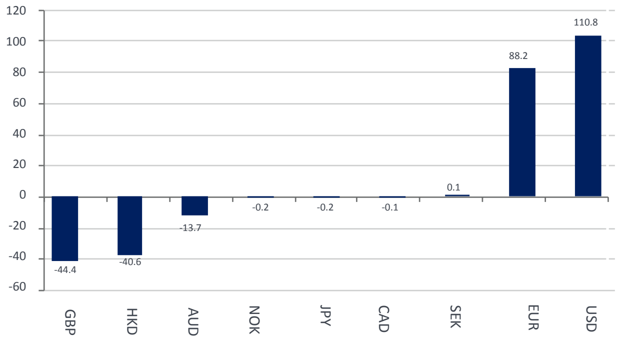
Allocation by industry



Allocation by country



Currency exposure



Manager's commentary

'In each of us there is a bit of a Catholic and a bit of a Protestant. For truth is catholic but the search for it is protestant'

W.H. Auden

'If one tells the truth one is sure, sooner or later, to be found out.'

Oscar Wilde

Hubris is often wrongly perceived to be unheeded pride which rightly comes before a fall, but the Greek origin of 'hubris' was a decision or act taken by a human, which could only be taken by a God. Importantly the decision may have been the right one, the good one, but that did not matter. In the world in which central banks have taken on the role of maintaining an equilibrium, markets are subservient to the gestalt. Remember the last bear market started in the inter-bank market, where the central banking CCTV's were not working.

This time around, the problems are unlikely to come from the banking sector despite the fact that debt has nearly doubled since 2010. The CCTV is now happily functioning. Since 2010, central banks have given to their clients, governments, the gift of issuing effectively cash to pay for deficits and so far it has worked. Japan with a permanent budget deficit of over 7% p.a. for 10 years has less net debt outstanding than ten years ago. No conjuring act could surpass this, and certainly not one involving the amounts of money involved. The other conjuring trick involved US dollar trade and current account deficits. Faced with increased dollar balances, EM countries tied to the US dollar, had to create local currency reserves. This was another bit of QE. However, like all such performances, the longer this goes on for, the more capital intensive it becomes.

Recently I read Daniel Ellsberg's book on the Pentagon papers. It is a very exciting read. He was very much an insider in the Johnson administration in 1964 and involved in the US's efforts in Vietnam. The story that he tells is that it was not just Johnson, but JFK and later Nixon all lie to the American people. At no point was the war going well. The escalation in spending which ultimately cost the world the Bretton Woods trading system, was never expected by them to win but just to prevent the US losing immediately.

You might think it had no relevance to today, but of course, it does. Keeping the world's trading system going is the key job that central bankers feel the need to do. Ever since the central bank in New Zealand in 1989 introduced the idea of inflation targeting, central banks have felt the need to maintain full employment. From 1995 when 5 billion people were introduced into a trading system of 1.5 billion people, central banks have not had to worry about inflation. Globalisation brought deflation.

But today the cash that has been poured into the world economy demands that either globalisation continues to deflate prices and wages, or that miraculously technology intervenes, with the threat of robots, offsetting what is now a shortage of jobs which should come through in wage and price rises.

For the central banks, it does not help that Trump is more concerned about winning the midterm elections than keeping this relatively fragile equilibrium going. Closing off the Mexican border, giving a massive fiscal boost on top of monetising for 18 months and following it with a few trade tariffs amounts to a massive inflationary shock. Again, I have to go back to the 1970's to witness something similar. There the monetary expansion came through in asset prices first (the nifty fifty) and then in retail prices. My bet is that we will witness a similar few years. What I can only hope is that after 10 years in which financial alchemy handed all the keys to the mathematicians, these next few years will favour the historians, if there are any left.

In the Vietnam wars, despite the lies coming from government, by 1967, markets had worked out who was going to lose. The soaring budget and current account deficit put pressure on the dollar. The lies wore out LBJ who decided unexpectedly not to stand again for president. Perversely it was France, who had begun the war against Ho Chi Minh in 1946 and whose treachery in 1948 ensured that forever after it became a war of independence, in 1970 forced the USA off Bretton Woods by demanding payment in gold.
Many commentators remain convinced that the Fed

will end QE this year and normalise monetary policy, because it is their present intention. When one looks at the risks involved in moving from a system which promotes growth without the need for savings to one which demands the world promptly save an additional $1.9 trillion in 2 years, those risks just remain too great. Printing money made everything work. Funding higher saving demands an increased savings rate and less income to spend. My money remains on a volte-face. Surely there are too many memories of just what happened when something similar was attempted in 2014. By 2016 the emerging markets were dying.

If the pain is too great, we go back to the monetisation. But this time, with full employment and continual Keynesian expansionary measures, there is only one result. Higher inflation and ultimately higher interest rates. Then the debt does matter, the authorities will be slow to put up interest rates and the world will witness its first taste of stagflation in fifty years. As Brian Marber said, ‘Experience doesn’t count because you never quite have enough of it.’ No one can remember Brian.

About Odey Asset Management

Odey Asset Management is a highly regarded London-based investment firm managing around $5.9 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.

CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 | atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 | avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Jacinta King	Business Development Associate	0413 962 922 | jking@copiapartners.com.au