Total returns

At 31 March 2020	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a. (Jul 2014)
Odey International Fund	20.10	8.82	18.22	6.15	4.39	-10.83	-5.92
MSCI World Index Daily TR Net Local	-12.84	-20.10	-14.12	-9.65	1.93	3.45	4.50
Outperformance	**32.94**	**28.91**	**32.34**	**15.80**	**2.46**	**-14.28**	**-10.42**

Monthly returns*

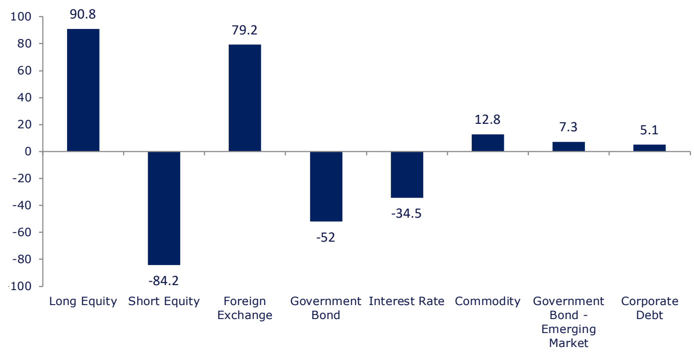
Year	Jan %	Feb %	Mar %	Apr %	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %	Idx YTD %
2020	-8.32	-1.17	20.10										8.8	-20.1
2019	-0.48	-8.29	-0.15	-5.46	12.14	-1.59	2.52	-7.23	-9.51	0.72	-2.8	10.97	-11.10	27.34
2018	-3.32	6.59	3.16	4.24	0.52	4.60	1.97	-1.50	9.30	6.98	0.41	2.75	41.19	-7.38
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

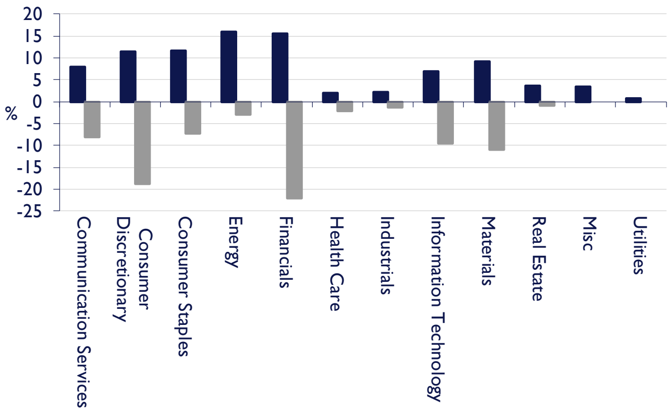
Top 10 holdings

Rank	Security	Strategy	Notional exposure (%)
1	IRS: Fix/Float ICE LIBOR GBP 6 Month	Short	-34.5
2	Long Gilt Future Jun20	Short	-30.2
3	JPN 10Y Bond(Ose) Jun20	Short	-21.9
4	BT	Long	6.5
5	SLC Agricola	Long	5.0
6	SPDR Blbrg Barclays U.S. TIPS UCITS ETF	Long	4.9
7	Tesla	Short	-4.8
8	Amundi Physical Metals	Long	4.7
9	Barclays	Long	4.2
10	Credit Acceptance	Short	-3.9

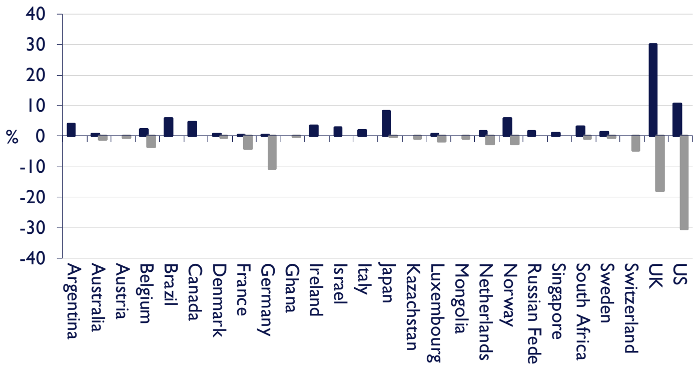
Asset allocation



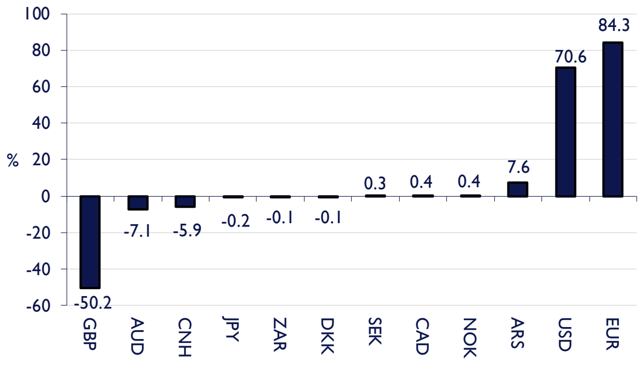
Allocation by industry



Allocation by country



Currency exposure



Manager's commentary

We are in a different era. This is not like 2008/9, nor 2001/2, nor even 1989/92. The fall in global GNP for this year will echo 1931/2. That was a terrible time when countries and institutions disappeared and characters like Adolf Hitler seized their chance to take over Germany.

With no medical knowledge, I can only use my common sense to imagine when we can get back to some sort of normality. In the UK we went into lockdown on 24th March. It takes 5-7 days to develop the symptoms and 22 days to enter hospital, so that presupposes that we see a peaking of deaths in the UK at around Easter time.

After that the only real risks to continued spreading of the virus lie with those who have either not stayed within the guidelines (which appear to be few), or those who have had forced exposure to it as hospital workers. So strangely they become the ones who at that point need to self-isolate, whilst the rest of us go back to work. This means returning to work some time in late May or early June.

The devastation to the service sector will have been immense. These poor people have mortgages and credit card debt. Their businesses will have suffered defaulted customer payments and they will have had no revenues for two months at least. How governments will find a way to give these people the necessary financial help, I don't know? They are trying but we all know governments.

Typical in this regard has been the decision by the PRA (Prudential Regulatory Authority) and the Bank of England to order the banks to cancel dividend payments for this year. Banks are not bought by shareholders for their excess equity in the balance sheet, they are bought for their ability to generate profits from their primary business of collecting deposits and making loans with as few losses as possible and as cheaply as possible. Their ability to maintain their shareholders' equity in real terms allows them to pay out excess returns in dividends.

The idea that shareholders should be sacrificed to allow banks to make unprofitable loans to the private sector to help them through a difficult period shows just why governments have no idea how to incentivise the right behaviour to get the right outcome. Rather than announcing a massive QE programme to effectively print the money that the government has promised, some 20% of GNP in the UK's case, but with no thought of just how banks will carry out the government's bidding to provide this in ready cash, they should have not done QE but issued the debt at the long end of the bond market and paid a 1.5% yield. The banks would have bought the debt, pocketed a £3bn carry on a £200bn of bonds, and then been quietly invited to lend that in such multiples as would still not cost them any profits.

To those that think that lending another 20% of GNP is no different to 2008, when this sum lent created no inflation, I would argue that whereas in 2008 the sums lent went to save the banking system, which was severely overlent relative to its deposits, this lending is going to people who desperately need the cash and will spend it immediately. The chances have to be high that inflation will come through the system.

This is certainly not how equity markets are seeing it. They are responding to the deflationary hit, the hit to profits. Having fallen by 30% the equity markets rallied some 20% from those lows. Some believe that the bear market is over. They have taken this opportunity to buy their favourite shares at much lower prices. However if this is the beginning of a new era, yesterday's favourite shares are unlikely to be the future winners.

How does it feel to be in the middle of all of this? The easy money was made on the short side in March. Borrow costs have risen, volumes have fallen. Volatility still allows one to trade successfully. After the falls that have been seen, it is no surprise that opportunities to invest have presented themselves. Growth stocks have still outperformed value stocks – not a surprise when a recession is with us and the decline in the global economy is impossible to forecast.

My Argentinian bank, BMA, continues to fall. It is now on 2x this year's earnings. Earnings which have been tested to destruction by a 70% devaluation of the currency, a two year recession which is now being followed by a lockdown to counter the coronavirus, to say nothing of a likely default of the Argentine government. They are trying to pay a 12% dividend yield in US dollars, but the government may not allow that but if it remains in the bank it will only serve to buttress an already impressive balance sheet and makes the shares ridiculously cheap. But it is not alone! Even in the UK, Barclays now trades on a market cap of £14bn with revenues of £23bn and a cost income ratio of some 60%. That means that the bank could withstand 4% of its customer loans defaulting and still pay an 8% dividend. The bank in 70 years has never had non-performing loans of greater than 1.5%!

The truth is that the global economy has not had one shock but two. The coronavirus was followed by the oil war, started by Russia not agreeing to cut oil production and escalating once Saudi Arabia and Russia effectively ganged up on the USA. With operating costs much higher than the others, the US shale industry, without the support of the US government, is toast in an oil market where the oil price is less than $45 per barrel. The fund has been well positioned to take advantage both of the pain being felt by the shale operators and the supernormal profits being enjoyed by the refiners and the tanker owners, who have been bribed to take this surplus Saudi and Russian oil to market. We have also been buying into the long duration oil producers, who in the short term are hit equally, but who as survivors will benefit from a much higher oil price further out. This battle has certainly been discombobulated by the impact of the shutdown of the known world. Launching a price war into a 20% volume decline feels like suicide. However, it is too early to believe that Trump can broker a peace deal. His shale producers have to become the swing factor!

In this the oil market is not unlike many other industries. This recession will kill off the weaker competitors, who were kept alive by cheap money after 2008. Coming out of this downturn, the survivors will have pricing power and will gain market share.

But for now it is probably too early to do anything but dip a toe in the water. Nobody has witnessed a world economy which has effectively seen a drop in incomes of 10 -20% within a quarter. Nobody can have a clue as to how human behaviour has been affected by so profound a shock. It is unique, this recession, in being led by the service sector. Itself very flexible but with absolutely no balance sheet to survive, it seems that it may have had an end as quick as the dinosaurs suffered. Hopefully it will be less tragic. The result has been that investors have clung to their favourites for all the obvious reasons. But from here that may no longer be sensible. The old adage is that if the markets have a problem, a wise investor will sell the market and buy the problem because the market cannot recover unless the problem gets solved.

Nothing is immune from the slowdown. Growth stocks will not be immune and they are expensive. If the world recovers, then inflation will pick up and ratings will fall, if the economy continues to be weak, growth will disappoint. By all means buy your favourite shares, I am not going to put you off, but know that from hereon you are now on the wrong side of history. Bear markets always want to keep you in, bull markets always do their best to spit you out. My long book is full of value. I have companies which are benefitting from the new world order but I don't want to be paying more than 2 or 3x earnings. Companies like Tungsten look good. Currently making £4mn of profits, with no debt and a market cap of £22m. It has every chance of seeing profits reach £20m within two years. Bear markets are painful but they do blunt themselves ultimately on yields. High yields defeat this monster. My point is that this is going to be no quick fix. The world has changed. Companies will be owned for their carry not for their capital gain. In the short term, the money will be made on the inflation bet. Central banks may be buying the 10-year bonds but they are also ensuring that any inflation will undermine these bonds at some point. It costs very little to be short. Gold is the only escape from global monetising but the authorities hate gold doing well! A good portfolio probably needs a bit of both.

Meanwhile hard times allow managements to play the joker. Difficult decisions which were earmarked to take years get done in weeks. Watch how the Restaurant Group put Chiquito's into receivership last week and Dixons said goodbye to Carphone Warehouse. Allowing management to make good decisions so that they can emerge all the stronger, is precisely why economic cycles so hated by governments and central bankers are so necessary for capitalism and profits.

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.

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