

## SHINING A LIGHT ON..... ODEY ALLEGRA DEVELOPED MARKET FUND

### At a glance

Investing in global funds takes away some of the guess work on where to invest and what companies to invest in. The challenge is finding a fund which meets your needs and a manager who can deliver. Every manager will try and explain why they are different and when you consider all the options there are some really interesting funds in the market.

One fund which we were recently introduced to was the Odey Allegra Developed Market Fund. This stood out for a number of reasons. Firstly the key drivers for investments are self-help stories (which the manager expanded on in the update), the stock turnover is relatively low, it is a highly concentrated portfolio with the top ten holdings making up 50% of the holdings and it is a stock pickers fund focusing on developed markets only.

We were also impressed that it is globally diversified, many global funds have a heavy leaning to the US, in this case around 29% is in the US, 25% UK, 16% Europe and the balance spread across Asia, Japan and the Middle East.

On the downside the nature of the investments we suspect makes this a much more volatile fund and therefore investors should only consider for long term investments with an acceptance over the short term there could be significant falls. Secondly although Odey have a strong reputation as a group this is a relatively new fund (launched in 2013) and therefore there is no real track record to compare.

In the update the managers focused on a number of holdings which we will cover as this really helps understand their process.

### Who are the team behind the fund?

The two managers are James Hanbury and Jamie Grimston. James has an outstanding track record of outperformance of his peer group (source: trustnet) and manages their successful Absolute Return Fund. Jamie has an equally impressive track record and the pairing seems well suited. Listening to the two of them it is clear that they work well as a team.

Research is kept in house and there are a team of 35 analysts supporting them.

### Fund highlights?

The portfolio currently has 39 holdings with the top ten making up 52% of the fund. Some of the top holdings include Regus, AO World and Plus 500.

Recent additions to the portfolio include Alcatel Lucent, Airbus and Amaya Gaming.

In discussing their process the focus was very on the businesses they invest in and we think this highlights the focus on self-help stories although a small may be considered turnaround stories.

We touched briefly on AO World and Regus. With AO Group they have been invested since the start and they continue to be happy with the way the business is progressing and the potential for

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growth. What they are less happy with is the decline in share price but they are confident this will reverse. Another example was Regus which as a company is progressing well but the share price remains disappointing.

These two reflect companies which they believe are doing the right things and will produce good long returns, it is just that the share price continues to disappoint.

Some other examples of holdings include:

### **Amaya Gaming**

Amaya Gaming is a fairly unexciting B2B gaming company listed in the US. The key change was the purchase of Rational Group which increased the market cap of the business from \$700 million to \$5.6 billion and now it controls nearly 60% of the global online poker market.

The opportunities are not reflected in the share price, or really understood by the market. The company are planning secondary listings in London and the US which will then start to open up the opportunities further. There are also opportunities to be exploited with online casinos and sports as well as relatively untapped markets such as India and China.

They have set a target price of \$50 a share based on these opportunities and the free cash flow that the business generates.

### **Airbus**

Airbus has suffered negatively this year down nearly 19% and out of favour with investors. The A380 has been a bid depressor for the share price but this should reverse.

The crucial point which they believe will reverse is on the product. British Airways are having a renaissance because customers like the planes and therefore if BA do well then it is likely more orders will follow not just from them but also others.

Additionally order books are at an all-time and the feeling is that despite a depressed share price there is enough for this to correct.

### **Alcatel Lucent**

Alcatel Lucent provides telecom and network equipment and is a classic self-help story. It has a strong management team who have embarked on a one billion euro cost reduction programme. The business is now starting to focus on its fast growing profitable areas and is starting to eliminate low margin services.

The balance sheet has moved to a natural position and they expect free cash flow to increase during 2015. They believe the current price remains attractive with a good risk return. They are still predicting an upside of around 70% from this point.

We went on to discuss other investments in the likes of Plus500 and Goldman Sachs. What struck me with the fund was that it would provide investors with access to a wide range of investment stories which as individual investments may seem very risk however blended together this would reduce that risk and potential offer strong returns over the long term. There is also an assumption that stock pickers get the majority of their picks right, in reality it can be around 50% but these make up

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the majority of the returns. Clearly the fact that 50% of the fund is focused on the top 10 holdings demonstrates those businesses which the managers have greater faith in delivering the returns.

The risk and volatility of the fund will not appeal to all investors but blended with other less volatile global funds this may make an interesting choice. The only additional point is the lack of track record for the fund and therefore investors are relying on the managers past performance and there is no guarantee that they can replicate this within the fund.

## Fund performance

Performance since launch vs DB X-Trackers FTSE All World Ex UK is shown below:

	2013 (launch 6/6/2013)	2014	Since Launch
<b>Odey Allegra Developed Markets Fund</b>	16.56%	-5.71%	9.90%
<b>DB X-Trackers FTSE All World Ex UK</b>	5.34%	3.71%	8.89%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## Conclusion

In the global sector this does stand out and offers investors access to self-help stories which they may not necessarily want to buy in to directly. However, the nature of the fund makes this more risky and more volatile and this might not suit all investors.

*The source of information in this note has been provided by Odey and is correct as at August 2014. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well rise.*