

SHINING A LIGHT ON THE..... Odyssean Investment Trust PLC

AT A GLANCE

Investment Objective

The investment objective of the company is to achieve attractive total returns per share principally through capital growth over a long term period. The company will primarily invest in smaller company equities quoted on markets operated by the London Stock Exchange, where the Portfolio Manager believes the securities are trading below intrinsic value and where this value can be increased through strategic, operational, management and/or financial initiatives.

| | |
|----------------------------|---|
| Inception Date | 1 st May 2018 |
| Fund Factsheet Link | https://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=F000010FH2%5D2%5D0%5DFCGBR%24%24ALL |

Management

| Manager Name | Start Date |
|---------------------|--------------------------|
| Stuart Widdowson | 1 st May 2018 |
| Edward Wielechowski | 1 st May 2018 |

FUND PERFORMANCE

Performance from 1st May 2018 to 31st January 2023:

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



01/05/2018 - 31/01/2023 Data from FEfundinfo2023

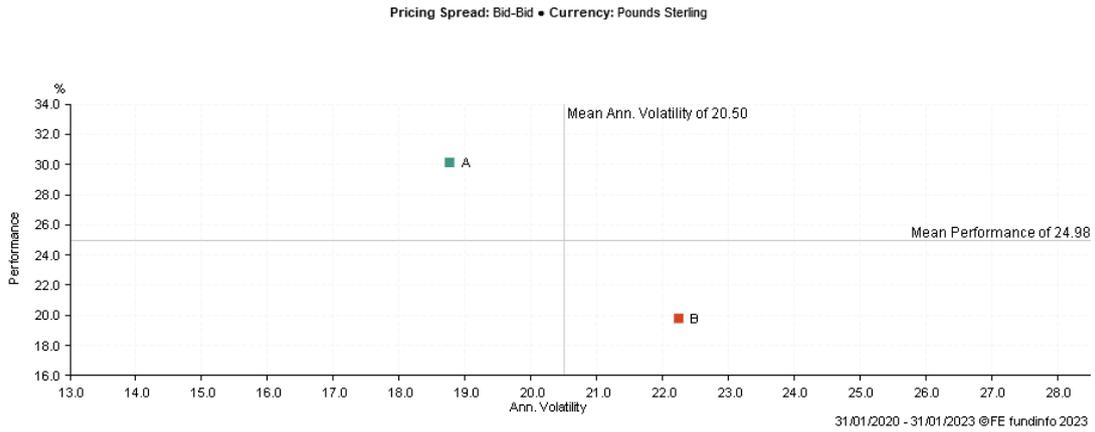
Please note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment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

LWM Consultants Ltd

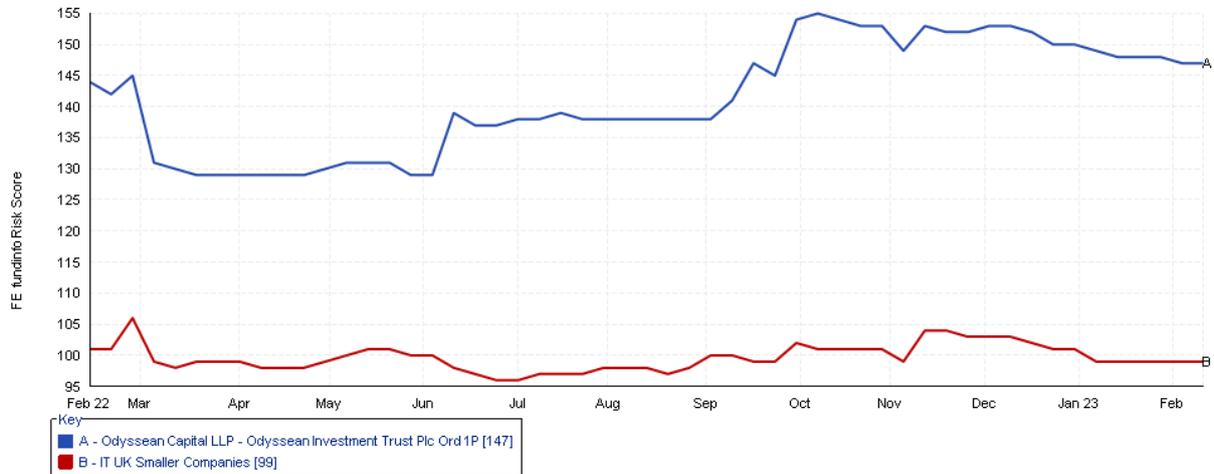
RATIO DATA (3-years)

| Alpha | Beta | Max Drawdown | Max Gain | Max Loss | Negative Periods | Positive Periods | Tracking Error |
|-------|------|--------------|----------|----------|------------------|------------------|----------------|
| 14.84 | 0.78 | -33.84 | 27.98 | -26.56 | 61 | 80 | 21.98 |

VOLATILITY / RISK SCORE

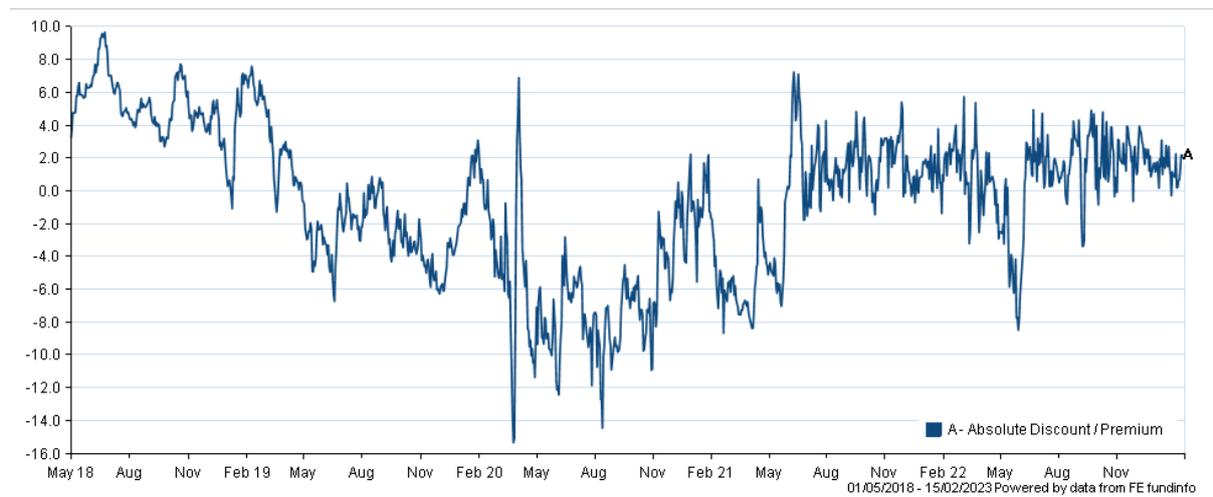


| Key | Name | Performance | Annualised Volatility |
|-----|--|-------------|-----------------------|
| A | MSCI World SMID Cap TR in GB | 30.14 | 18.76 |
| B | Montanaro - Better World Dist GBP TR in GB | 19.82 | 22.24 |



LWM Consultants Ltd

DISCOUNT / PREMIUM



MARKET CAP

| <u>Mkt Cap %</u> | 31/12/2022 | |
|------------------|-------------|------------|
| | <u>Fund</u> | <u>Cat</u> |
| Giant | 0.00 | 0.58 |
| Large | 0.00 | 1.77 |
| Medium | 0.00 | 8.11 |
| Small | 63.44 | 62.66 |
| Micro | 36.56 | 26.88 |

SECTOR WEIGHTING

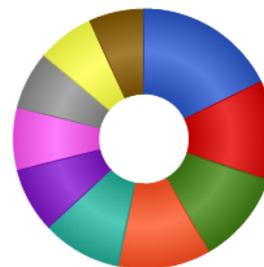
| <u>Stock Sector Weightings %</u> | 31/12/2022 | |
|----------------------------------|-------------|-----------------|
| | <u>Fund</u> | <u>Category</u> |
| Cyclical | 46.36 | 37.70 |
| Basic Materials | 28.18 | 6.36 |
| Consumer Cyclical | - | 13.28 |
| Financial Services | 18.18 | 15.10 |
| Real Estate | - | 2.96 |
| Sensitive | 53.64 | 52.32 |
| Communication Services | 19.66 | 9.72 |
| Energy | - | 3.87 |
| Industrials | - | 21.60 |
| Technology | 33.98 | 17.14 |
| Defensive | 0.00 | 9.98 |
| Consumer Defensive | - | 3.89 |
| Healthcare | - | 5.16 |
| Utilities | - | 0.93 |

LWM Consultants Ltd

HOLDINGS

Top 10 Holdings as at December 31, 2022

| Rank | Change | Name | % |
|-----------------------------------|--------|-------------------------|-------|
| 1 | ▶ | ELEMENTIS PLC | 13.30 |
| 2 | ▲ | ASCENTIAL PLC | 9.30 |
| 3 | ▼ | XAAR | 8.70 |
| 4 | ▼ | CURTIS BANKS GROUP PLC | 8.60 |
| 5 | ▶ | NCC GROUP | 7.40 |
| 6 | ▲ | SPIRE | 6.00 |
| 7 | ▼ | FLOWTECH FLUIDPOWER PLC | 5.90 |
| 8 | ■ | RWS HOLDINGS PLC | 5.40 |
| 9 | ▼ | DEVRO PLC | 5.30 |
| 10 | ■ | JAMES FISHER | 5.10 |
| Top 10 total percentage weighting | | | 75.00 |



▼ Faller ▲ Riser ▶ No Change ■ New Entry

OTHER DATA

| | |
|------------------|---|
| Benchmark | Numis Smaller Companies plus AIM (excluding investment companies) |
| Fund Size | £199.376 million |
| Fees | 1.45% |

| Bull Points (pros) | Bear points (cons) |
|---|---|
| <ul style="list-style-type: none"> • Private equity mindset • Highly concentrated so looking to know and understand each company well • Looking for different elements that will grow the company over time • Aims to deliver a return of 15% p.a. across the market cycle • Long term holders • Very focused on downside risk • Avoid the bad stuff such as oil and gas and focus on the areas they know well | <ul style="list-style-type: none"> • Highly concentrated portfolio focused on one of the most volatile parts of the market |

UPDATE....

We are always looking for that “special one”, perhaps we find one or two a year. When we do then it is about being mindful of the risks.

LWM Consultants Ltd

Cumulative Performance (GBX)

| | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|--------------------|----------|----------|--------|---------|---------|
| Fund | 8.66% | 7.69% | 11.31% | 56.90% | |
| Sector | 7.70% | 1.06% | -9.26% | 13.47% | 28.35% |
| Relative to Sector | 0.89% | 6.56% | 22.67% | 38.27% | |
| Rank in Sector | 9 / 24 | 4 / 24 | 2 / 24 | 1 / 24 | |
| Fund Quartile | 2 | 1 | 1 | 1 | N/A |

Performance by Calendar Year in (GBX)

| | YTD | 2022 | 2021 | 2020 | 2019 |
|--------------------|---------|---------|--------|--------|---------|
| Fund | 4.45% | 4.97% | 28.68% | 14.16% | 17.71% |
| Sector | 6.41% | -20.55% | 29.52% | 2.20% | 24.18% |
| Relative to Sector | -1.84% | 32.12% | -0.65% | 11.71% | -5.21% |
| Rank in Sector | 15 / 24 | 3 / 24 | 6 / 24 | 5 / 24 | 14 / 24 |
| Fund Quartile | 3 | 1 | 1 | 1 | 3 |

Discrete Annual Performance to Last Quarter End (GBX)

| | 0-12m | 12m-24m | 24m-36m | 36m-48m | 48m-60m |
|--------------------|---------|---------|---------|---------|---------|
| Fund | 4.97% | 28.68% | 14.16% | 17.71% | |
| Sector | -20.55% | 29.52% | 2.20% | 24.18% | -10.24% |
| Relative to Sector | 32.12% | -0.65% | 11.71% | -5.21% | |
| Rank in Sector | 3 / 24 | 6 / 24 | 5 / 24 | 14 / 24 | |
| Fund Quartile | 1 | 1 | 1 | 3 | N/A |

Fund Price Movement (GBX)

| | | | |
|---------------|----------------|--------------|----------------|
| 12 Month High | 184.25 (Pence) | 12 Month Low | 147.00 (Pence) |
|---------------|----------------|--------------|----------------|

Annualised Ratios Over 36 Months

| | Alpha | Beta | Sharpe | r ² | Volatility |
|---------------|-------|------|--------|----------------|------------|
| Fund | 13.20 | 0.80 | 0.50 | 0.57 | 24.43 |
| Fund Quartile | 1 | 3 | 1 | 3 | 1 |

We wanted to start with this and really focus on the performance in 2022. The year was bad for all investments, and in particular small and mid-cap investments. However, this strategy managed to deliver a positive return, bucking the trend. There are many good managers we have met who have said having this exposure damaged their performance in 2022.

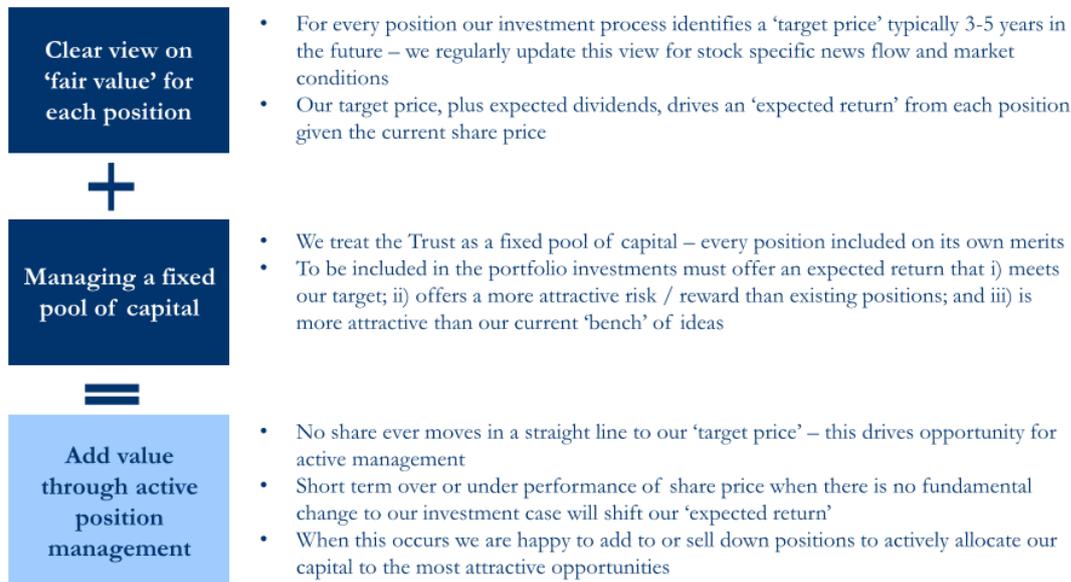
The question is really how they have done this, and with this what the risks are. This is a highly concentrated portfolio of around 20 companies. This in itself is unusual for small cap investing because as an investor, if one stock falls heavily it has a big impact on performance, so this is really the risk with this strategy. If they get it wrong then the performance will be hit hard.

Investors should therefore tread carefully with this investment because although we think it is different, it has the potential to carry additional risk.

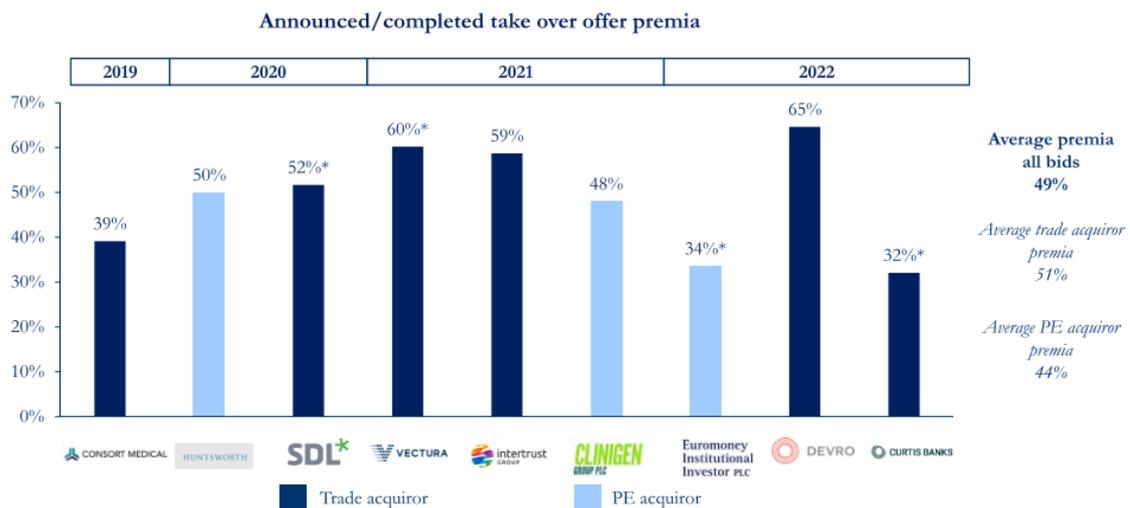
Taking a step back, the team have a private equity mindset. They are not chasing what they see as "death or glory" stocks but good businesses where they have a high chance of achieving the returns they are looking for, and a low chance of losing money. The reason why they select 20 companies is because they believe there are only 20 exceptional companies which fit this profile. They don't always get it right: in a normal year they get around 2 wrong, 3 in a bad year and 1 in a good year.

Focus on long term 'expected return' drives capital allocation

Opportunity to add value on share price volatility



We talked a lot about valuation and the key point for them is what someone is willing to pay for a business. If the business is undervalued, then this is an opportunity. Where other managers shy away from takeovers, they see this as an important part of the strategy.



- Strategy has selected companies which have been attractively priced and vulnerable to M&A if the investment community continued to mis price them
- We believe that the absolute valuation of many UK equities leads them to be vulnerable to future M&A
- However, we believe that straight PE backed take privates are less likely due to higher cost of debt

They will buy distressed businesses where there is new management, and they have the ability to improve the outlook. Likewise, although they don't like debt, they do look to understand it and the ability to pay this down over time. Elementis is the highest position and is a chemical business. The market dislikes this because of the debt. However, the market is not reflecting the sources of raw

LWM Consultants Ltd

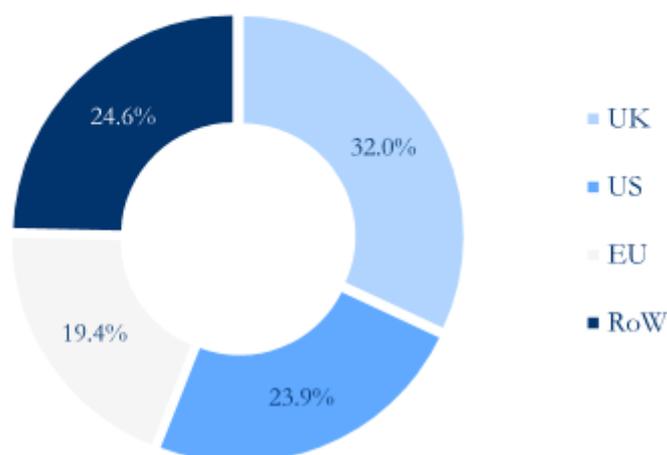
materials that it owns, and the fact that it is an asset backed business and so the debt is reflective of that.

| Holding | Margin improvement | Undervalued/hidden growth | SOTP ¹ discount | Material cost synergies for a trade buyer | Geographic arbitrage | Market share recovery | Other |
|---|--------------------|---------------------------|----------------------------|---|----------------------|-----------------------|----------------------------------|
|  | ✓ | | ✓ | | ✓ | ✓ | Mineral asset backing |
| ASCENTIAL | ✓ | ✓✓ | ✓✓ | | ✓ | | Sale of non core events |
|  | ✓ | ✓ | | ✓ | ✓ | ✓✓ | New product launches |
|  | ✓ | | | ✓✓ | | | Consolidating sector |
|  | ✓ | ✓ | ✓ | | ✓ | ✓ | Scarcity value; hire cyber teams |
|  | ✓ | ✓ | | ✓✓ | | | New revenue areas |
|  | ✓ | | | ✓✓ | | | E-commerce introduction |
|  | ✓ | | ✓ | ✓✓ | ✓ | | Sector consolidation |
|  | | ✓ | | ✓ | ✓ | | Subject to bid approach |
|  | ✓✓ | | ✓ | | | | Focus and simplification |

They are long term holders and look to hold for 3 to 5 years. However, if they get to the place they want to earlier then they will sell and put the money elsewhere. Curtis Banks is a relatively new holding which has already been subject to a take over bid which they have accepted.

Often the argument against UK is that it is too domestically focused and this is not the case for them. Around 32% is UK focused.

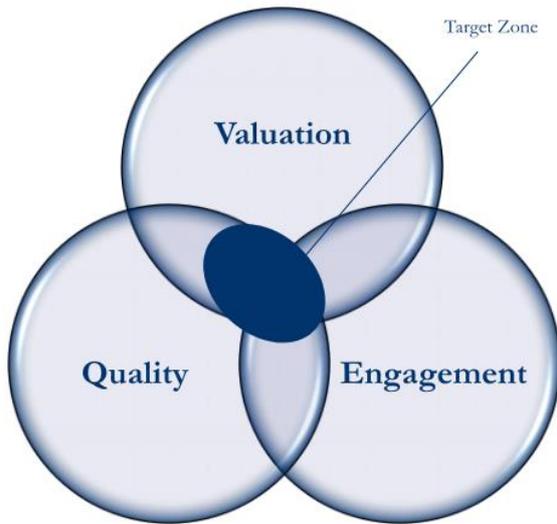
Revenue exposure of portfolio^{1,2}
(NAV weighted exc. cash)



LWM Consultants Ltd

In terms of strategy, managers often say they invest because they want to see the share price go up and then will say the market is undervaluing the business, or there is a disconnect. They approach this with a strict quality focus, the desire to limit downside risk and look for multiple drivers of equity value. So it is not just about one driver of returns. As a key shareholder and with that private equity mindset they can actively engage with companies.

Based on 3 pillars: Valuation, Quality and Engagement, with Sector focus



Valuation

- Invest at a significant discount to owner's valuation
- Look for businesses with multiple drivers of equity value growth (sales; margin; rating; free cashflow; M&A)
- "Make money", not beat an index

Quality

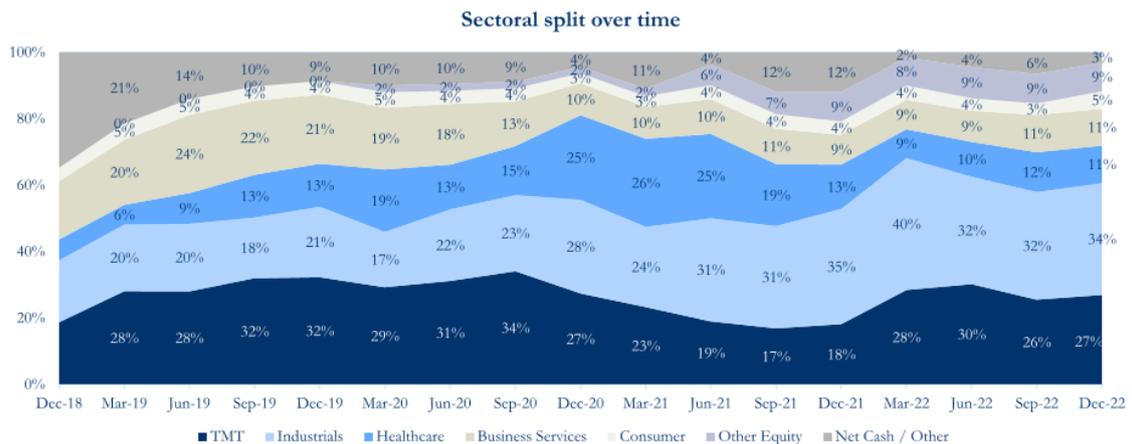
- Strict quality overlay to complement value focus
- "Good companies"
- Limit downside

Engagement

- Seek out "self-help" /transformation situations
- Integrated
- Proactive not reactive
- Tend to engage anyway as a Top 5 shareholder

- We aim to make money (target >15% IRR on every investment) with a favourable risk/reward
- Sector focus (TMT, Healthcare, Industrials, Services)

They do tend to focus on the areas they know well. This is reflected in the sectoral split over time.



- Industrials remains the largest sector exposure, with growth in the quarter reflecting further investment in a number of names where share price performance lagged robust trading
- Build in TMT in most recent quarter driven by further investment in Ascential

LWM Consultants Ltd

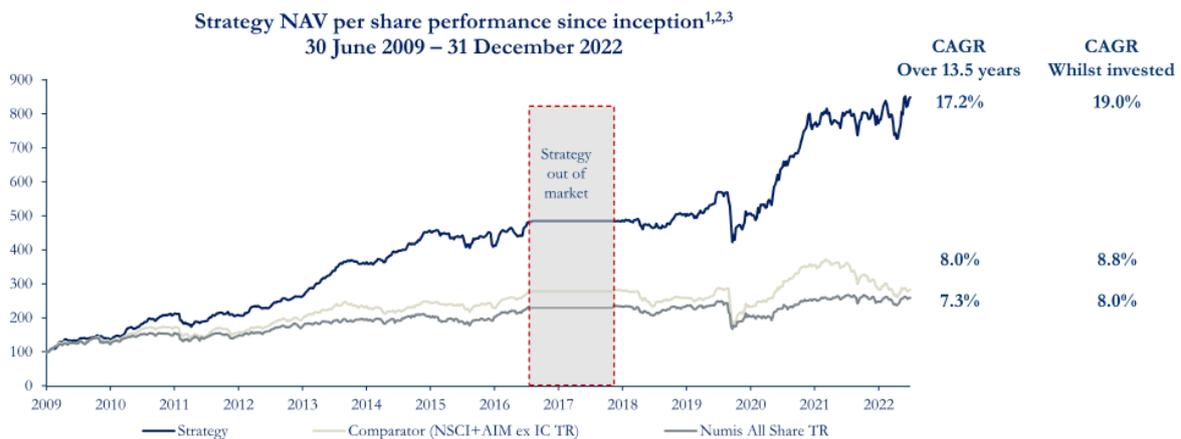
If we were going to sum this up, and summarise why we think this is different, it is all around the focus. This can be seen as risky but for them risk is the key to investing. With a larger number of holdings they wouldn't have the same knowledge and input. This way they can identify the very best companies and actively engage. For them valuation is about what someone is willing to pay for a business. Then in terms of share price re-rating their argument is it is not just about buying cheap and waiting for the market to re-rate. This is about looking across multiple drivers of returns, whether it is profit, sales, cashflow, price to earnings, M&A etc. There must be different drivers and the more you have the more likely you are to achieve your desired outcome.

We would also add that they are style agnostic, and when we look at Morningstar this comes up as a blended approach.

For investors, this might not appeal to all. It doesn't matter how good they are, a highly concentrated portfolio carries risk and volatility. However, if an investor is prepared to see this as a long term investment, then in theory this should deliver strongly for them. It really is a very different approach to investing in UK small caps.

Our investment strategy has delivered strong long term returns

Attractive absolute and relative performance, without any gearing



- Despite periods of short term volatility, over the long term, under our management this investment strategy has delivered returns above both the absolute return ambition and also the comparator index³
- Differentiated approach is distinct from “pure” Growth or Value
- Returns generated with net cash and no gearing. Net cash typically high single digit as % portfolio

The source of information in this note has been provided by Odyssean and is correct as of January 2023. 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. We would also recommend that you receive advice before following up on any decision.