

## LWM FUND SPOTLIGHT ODYSSEAN INVESTMENT TRUST PLC

### INVESTMENT OBJECTIVE

The company's investment objective 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 financial initiatives.

### INCEPTION DATE

1<sup>st</sup> May 2018

### FUND FACTSHEET

<https://www.trustnet.com/factsheets/T/oz4n/odyssean-investment-trust-plc/>

### MANAGEMENT

Manager Name	Start Date
Stuart Widdowson	1 <sup>st</sup> May 2018
Edward Wielechowski	1 <sup>st</sup> May 2018

### RATIO DATA (3-years)

Alpha	Beta	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
15.09	1.41	27.98	-13.00	60	77	18.36

### OTHER DATA

<b>Benchmark</b>	Numis Smaller Companies plus AIM (excluding investment companies)
<b>Fund Size</b>	£180.62m
<b>Fees</b>	1.45%

### BULL POINTS (PRO)

- 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.
- Aim 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.

### BEAR POINTS (CONS)

- Highly concentrated portfolio focused on one of the most volatile parts of the market.

# Odyssean Investment Trust PLC – September 2023

## FUND PERFORMANCE

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



01/05/2018 - 31/08/2023 Data from FE fundinfo 2023

### Premium / Discount Movement

1Y 3Y 5Y

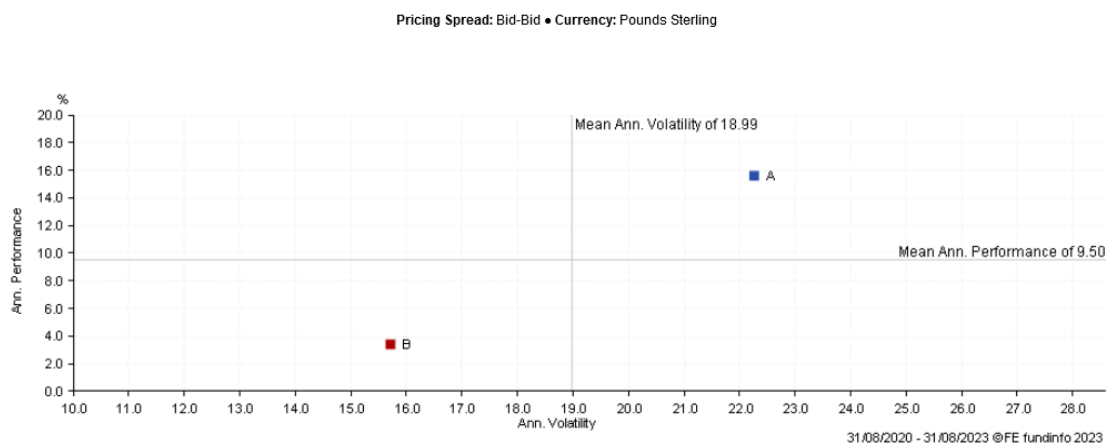
Premium/discount movement represents the disparity between the value of an investment company's underlying assets and the price of its shares over the selected time period.

















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

# Odyssean Investment Trust PLC – September 2023

## VOLATILITY



## SECTOR WEIGHTINGS

Stock Sector Weightings %		31/08/2023	
		Fund	Category
	<b>Cyclical</b>	<b>24.70</b>	<b>39.10</b>
	Basic Materials	24.70	5.97
	Consumer Cyclical	-	14.50
	Financial Services	-	15.20
	Real Estate	-	3.43
	<b>Sensitive</b>	<b>75.30</b>	<b>51.73</b>
	Communication Services	19.62	8.92
	Energy	-	3.68
	Industrials	16.22	22.82
	Technology	39.46	16.30
	<b>Defensive</b>	<b>0.00</b>	<b>9.17</b>
	Consumer Defensive	-	3.69
	Healthcare	-	4.76
	Utilities	-	0.72

# Odyssean Investment Trust PLC – September 2023

## TOP TEN HOLDINGS

Top 10 Holdings

31/08/2023

Assets in Top 10 Holdings %	99.02
Total Number of Equity Holdings	6
Total Number of Bond Holdings	0

Name	Sector	Country	Percentage
★ Other Investments	—	Country_	44.48
Elementis PLC	🏭	United Kingdom	13.47
⊕ Xaar PLC	🏢	United Kingdom	10.88
⊕ Ascential PLC	🏢	United Kingdom	10.70
⊕ NCC Group PLC	🏢	United Kingdom	10.64
XP Power Ltd	⚙️	Singapore	8.85

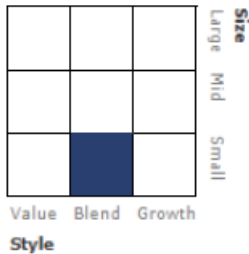
⊕ Increase ⊖ Decrease ★ New since last portfolio

## STYLE MEASURES (MARKET CAP)

Category: UK Small-Cap Equity

### Morningstar Style Box®

#### Equity Style



Size		Mkt Cap %			31/08/2023
			Fund	Cat	
Share Class Size (mil)	-	Giant	0.00	0.24	
	(-)	Large	0.00	1.21	
Fund Size (mil)	-	Medium	0.00	7.29	
	(-)	Small	60.54	63.16	
	(-)	Micro	39.46	28.11	

## Valuations and Growth Rates

31/08/2023










	Fund	Category
Price / Earnings	17.83	11.89
Price/Book	1.34	1.61
Price/Sales	1.20	0.79
Price/Cash Flow	6.97	6.13
Dividend-Yield Factor	1.69	4.07
Long-Term Projected Earnings Growth	-	12.85
Historical Earnings Growth	32.23	19.99
Sales Growth	8.84	6.68
Cash-Flow Growth	-15.42	-0.57
Book-Value Growth	7.89	10.80

# Odyssean Investment Trust PLC – September 2023

## LWM FUND ANALYSIS

At first glance, this can seem like a high-risk strategy. It invests in smaller UK companies and will take up to 25 positions. The initial holding size is 3 to 8%, with a maximum of 20%. Typically, they will target ownership of 2 to 20%.

The chart below shows some of the holdings within the strategy.

Holding	Market position	Self-help/engagement opportunities
 <b>ELEMENTIS</b>	Global market leader with high quality industrial talc and high quality hectorite clay	Plant footprint optimisation; more higher value add products; invest in salesforce
<b>ASCENTIAL</b>	Portfolio of leading sector events, B2B and Digital Commerce platforms	Integration of recent M&A – supporting shift of high growth acquisitions to profitability. Portfolio optimization
 <b>nccgroup</b>	UK and US market leader in software Escrow services. Leading independent cyber security services provider	Possible separation of Escrow. Cross sell of products across US and UK Escrow operations. Build out Assurance product offering
 <b>XAAR</b>	Unique product proposition in global market for digital printing heads for industrial printers	Commercialisation of considerable IP, develop and launch new products and regain of market share. Introduce lean manufacturing
 <b>XP Power</b>	Global developer and manufacturer of power supply and converters for the electronics industry – B2B not B2C	Optimisation of manufacturing footprint – shift US to Asia. Further operational benefits through roll out of new ERP platform
 <b>Gooch &amp; Housego</b>	Niche global Optics and Photonics designer and manufacturer for industrial, telecoms, aerospace, defence and life sciences sectors	Improve operational performance and on time delivery. Strategic focus and commercialisation of considerable IP
 <b>Spire Healthcare</b>	Owner and operator of private hospitals in the UK – leader outside of the M25	Digitisation of group processes. Drive increased efficiency through standardised processes across all sites. New service offerings
 <b>James Fisher and Sons plc</b> <small>Pioneering Sustainability</small>	Leading global provider of a range of niche marine services to renewable, energy and defence sectors	Integration of legacy M&A supporting operating and revenue synergies, potential to simplify group through non-core disposals
 <b>FLUIDTHROUGH FLUIDPOWER</b>	UK market leader in hydraulic and pneumatic components distribution	Integration of past M&A and delivery of synergies. Digital strategy roll out and acceleration
 <b>Benchmark</b>	Leading provider of genetics, health and nutrition products and services to the global aquaculture industry	Harvest return on significant historical capex investment, drive synergies between legacy, disparate group divisions, increased focus on cost discipline and ROCE

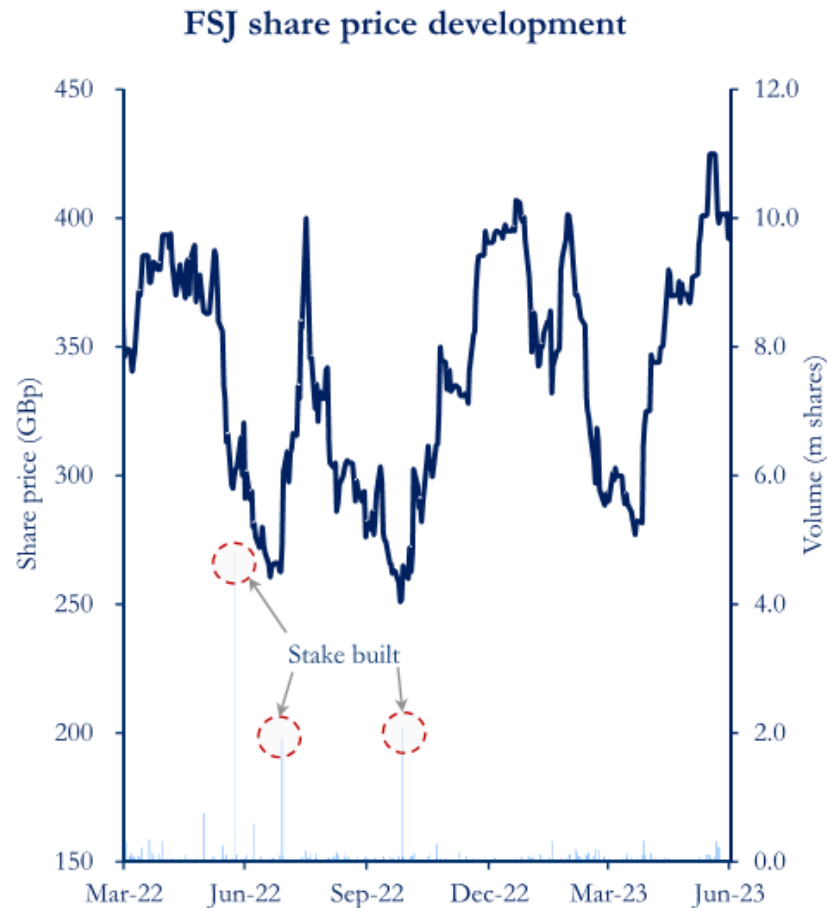
If we then turn to performance, we can see something special.

(2 ROWS)

Pricing Spread: Bid-Bid • Period: Month End (31 Aug 2023) • Currency: Pounds Sterling

Customise Columns	1m ↑↓	3m ↑↓	6m ↑↓	1yr ↑↓	3yr ↑↓	5yr ↑↓	10yr ↑↓	Select
Index Numis Smaller Companies plus AIM (excluding investment companies) GTR in GB	-2.45	-0.60	-6.94	-3.17	10.56	-0.32	55.50	<input type="checkbox"/>
Odyssean Capital LLP Odyssean Investment Trust Plc Ord 1P in GB	-5.03	-6.79	-15.17	-9.85	54.48	46.59		<input type="checkbox"/>

Before we explore the strategy, there is one other chart to share. This shows the team building a stake in James Fisher and Sons PLC. This indicates that many of the companies they invest in are illiquid. They have had to buy into the company as shares become available.



If we consider this strategy investing in a highly complex part of the market, the question arises as to how they seem to do something different to other managers.

To some extent the strategy is straightforward. They focus on sectors they know well, look for multiple drivers of returns, and look to have an influencing stake.

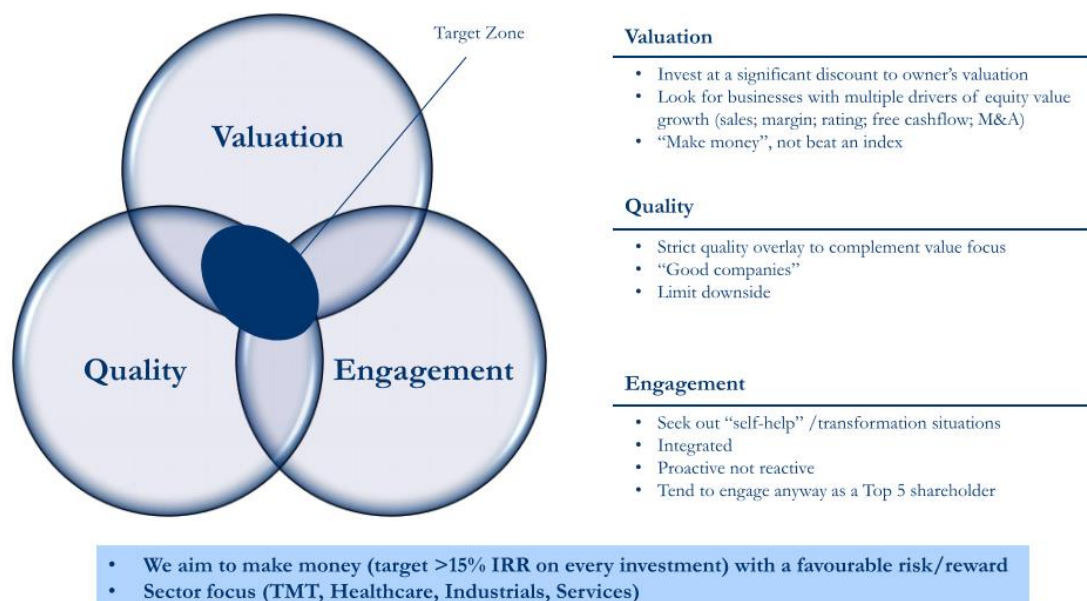
Additionally, they allow investments to play out over time, with a typical holding period of 3 to 5 years. The level of research is focused, and they have a high level of due diligence.

The key sectors that they focus on are:

	Low cyclicality	B2B focus	High ROCE/cash margins	Sector expertise
TMT	●	●	●	●
Services	●	●	●	●
Healthcare	●	●	●	●
Industrials	●	●	●	●

# Odyssean Investment Trust PLC – September 2023

The strategy is based on three pillars: valuation, quality and engagement.

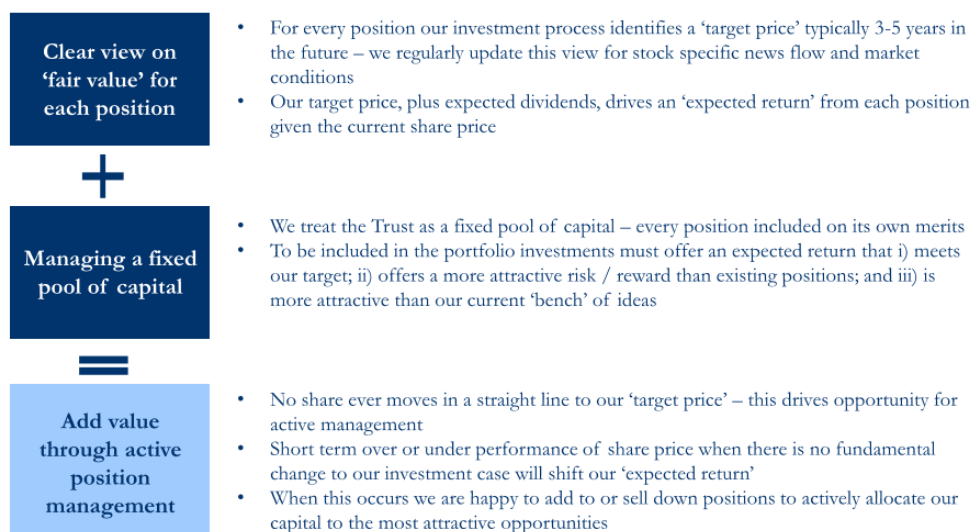


It is essential to understand that although this strategy carries risk, the managers do not adopt a "death or glory" approach. Ultimately, they are searching for good businesses with a high chance of achieving the returns they seek, with a low probability of losing money. They don't always get it right: in an average year, they get around two wrong, three in a bad year and one in a good year.

The chart below outlines the strategy approach.

## Focus on long term 'expected return' drives capital allocation

Opportunity to add value on share price volatility



# Odyssean Investment Trust PLC – September 2023

They do not believe in one driver of return. Multiple drivers will ultimately give them more significant opportunities to deliver returns.

Holding	Margin improvement	Undervalued/hidden growth	SOTP <sup>1</sup> discount	Material cost synergies for a trade buyer	Geographic arbitrage	Market share recovery	Other
ELEMENTIS	✓	✓		✓	✓	✓	Mineral asset backing
ASCENTIAL	✓	✓✓	✓✓	?	✓		Break up announced
nccgroup	✓	✓	✓✓	✓	✓	✓	Scarcity value
XAIR	✓	✓		✓	✓	✓✓✓	New product launches
XP Power	✓	✓		✓	✓	✓	Manufacturing footprint
Gooch & Housego	✓✓	✓		✓✓	✓		High IP base
Spire Healthcare	✓	✓		✓✓			New revenue areas
James Fisher and Sons plc <small>Powering Sustainability</small>	✓✓	✓	?	✓			Non-core disposals
Flowtech	✓			✓✓			E-commerce optimisation
Benchmark	✓	✓	✓		✓		High IP value

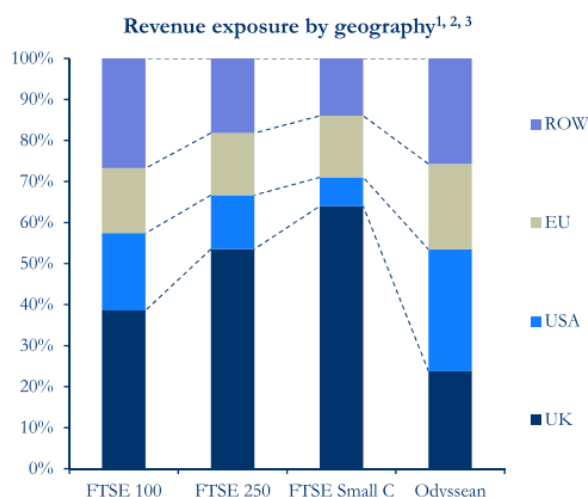
Source: Views and opinions of Odyssean Capital as at the date of this presentation. <sup>1</sup>SOTP – Sum of the Parts

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In terms of the sector, there are significant opportunities. The strategy is currently more internationally focused than the FTSE 100.

## UK Smaller Companies can provide global exposure

OIT's portfolio is more international currently than the FTSE 100



- Portfolio revenue generation is balanced by geographic area, which we believe spreads political and economic risk
- Few companies with pure UK exposure – only Spire and Flowtech
- Key US Revenue exposures Ascential, XPP, NCC, Elementis and Dialight
- OIT's portfolio derives <25% of revenues from the UK, less than the FTSE 100
- We believe that many of the portfolio companies with significant overseas sales and earnings are undervalued compared with international peers

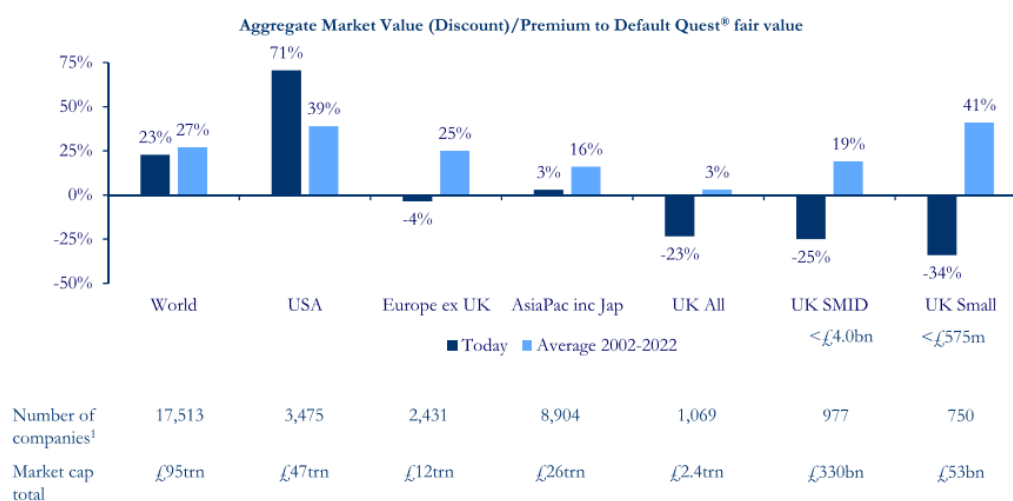
Notably, small-cap companies are trading at a significant discount.



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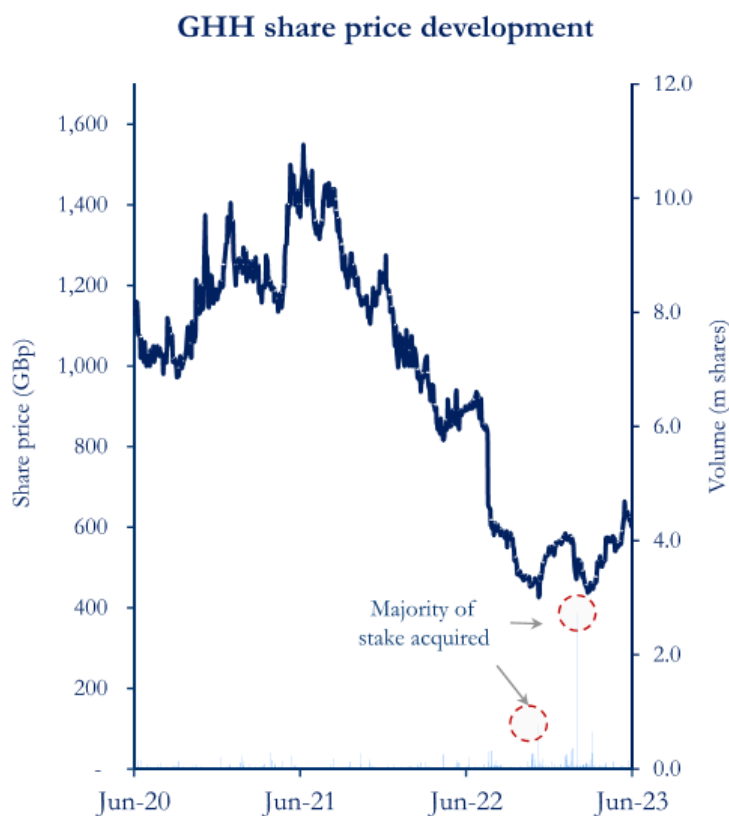
US equities peaked at >100% premium to Quest during 2021

UK equities trade at the largest discount to Quest® fair value of major markets



- Fundamental over and under valuation not difficult to spot

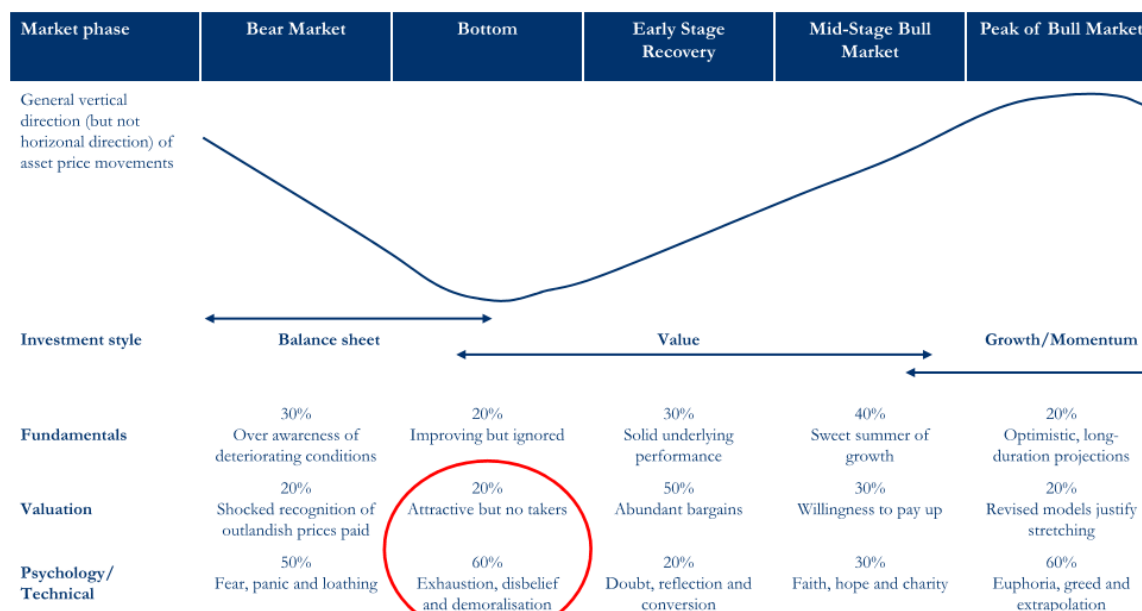
A tiny shift in money coming into the sector would move the price. We used the example of James Fisher and Sons; another example is Gooch and Housego. If more money comes in, it creates more liquidity as investors start trading.



Source: Factset, Odyssean Capital. Past performance is no guarantee of future performance.

# Odyssean Investment Trust PLC – September 2023

When does this happen is the question. The chart below is one we have seen being increasingly used. We believe we are close, if not already, at the bottom of the market. Often, investors will wait to see a recovery before investing, and this is where they miss the best returns.



Source: Morgan Stanley Wealth Management. Note: The percentages indicated above are hypothetical. Hypothetical performance is not a guarantee of future performance or a guarantee of achieving overall financial objectives

The chart below outlines recent stock contributors, what has done well and what hasn't.

Largest positive contributors		Largest negative contributors	
	<ul style="list-style-type: none"> <li>In-line interims showing good revenue growth and a strong orderbook supporting full year expectations</li> <li>Output of new CEO's strategic review targets doubling of margins to c.15% largely through self-help – supportive of a key leg of our investment thesis</li> </ul>		<ul style="list-style-type: none"> <li>Q1 trading update flagged 'resilient' performance with pricing and mix offsetting some volume weakness. The group maintained full year expectations</li> <li>Delivery of self-help cost actions (\$19m targeted over time) and any recovery in profitability of the talc division support earnings progression from here even in a tough demand environment</li> </ul>
	<ul style="list-style-type: none"> <li>Announced successful re-financing (supported by non-core disposals) and a strong start to trading in FY23</li> <li>Balance sheet now largely de-risked, new team delivering on self help actions to drive margins from current levels of c.5% to targets of 10%+, and a 15%+ ROCE</li> </ul>		<ul style="list-style-type: none"> <li>Limited news flow following strong FY22 results despite China covid lockdown headwinds</li> <li>Group has delivered first stage of factory re-organization on time, driving future potential efficiency gains</li> <li>Benefits of Xaar's technology and new aqueous head continues to be well received by the market. Strong demand for development packs from OEMs a good, early-stage lead indicator</li> </ul>
	<ul style="list-style-type: none"> <li>Strong H1 results with good topline and EBITDA growth despite challenges in shrimp market – continues recent trend of solid performance</li> <li>Group announced it would maintain its AIM listing (alongside Oslo) – focus now on roll out of the new commercial model for the groups novel sea lice treatment which can drive a step change in profitability and cash flow</li> </ul>		<ul style="list-style-type: none"> <li>Limited news flow in the quarter. Press rumors note sale process for WGSN progressing towards a conclusion</li> <li>Positive CMD setting out strength of the events business expected to remain as the go forward London listed entity post group break up</li> <li>Shares have been weak potentially reflecting ongoing flow driven sellers on the register</li> </ul>

Source: Odyssean analysis. Past performance is no guarantee of future performance and the value of investments can go up and down.

## Odyssean Investment Trust PLC – September 2023

In summary, the team are bullish about the companies they own. Valuations are cheap but there are no buyers. They accept that things are not great at the moment but they don't see it getting much worse from this point! One stock is trading at £4.80; its previous high was £16.00, and the fair value base is around £9. The current period has probably been the most interesting for them since they started the strategy. Although they are “banging the drum”, investors are nervous about the UK.

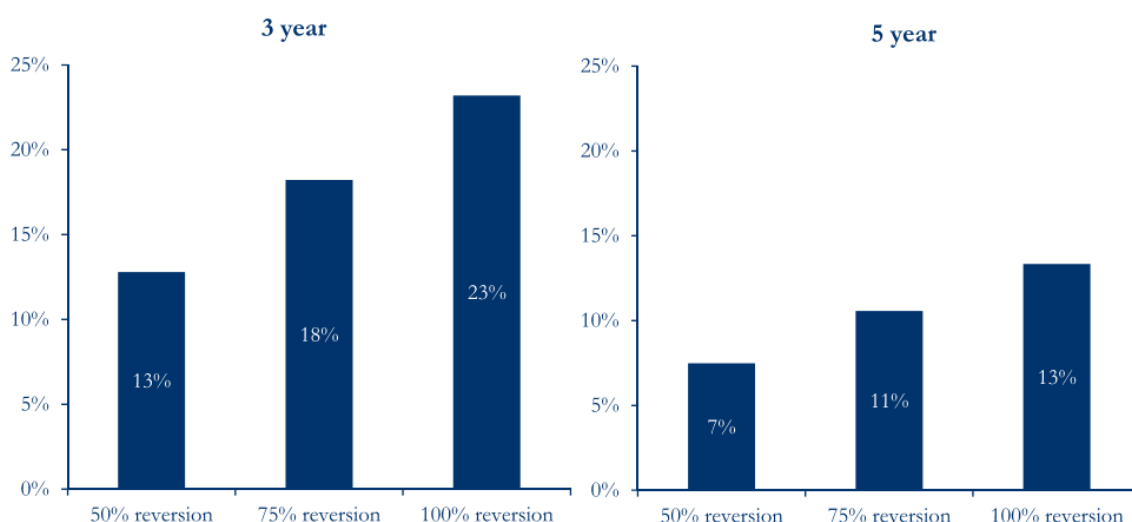
For their strategy they are looking for investors who understand what they are doing and are like-minded. It is worth ending on the chart below which outlines the potential upside. Of course, nothing is guaranteed, but even the slightest shift could see this strategy do very well. However, it will not appeal to all investors because of the area it invests in and the concentrated nature of the holdings.

### Potential upside even if partial/full reversion to mean ratings

Top 10 holdings – weighted mean analysis. Current sales growth + FCF = 13%



Annualised potential upside from re-rating alone – reversion to 10-year mean EV/Sales



Source: Factset; Odyssean Capital as at 24<sup>th</sup> July 2023. Past performance is no guarantee of future performance and the value of investments can go up and down.

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**Odyssean has provided the source of information in this note, and is correct as of September 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 decide to invest based on these notes, we cannot take responsibility for this, and you should conduct your research before deciding. We would also recommend that you receive advice before following up on any decision.**

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