

Latitude Horizon Fund



THE OBJECTIVE OF THE LATITUDE HORIZON FUND IS TO DELIVER CAPITAL APPRECIATION OVER THE LONG TERM BY HOLDING A CONCENTRATED PORTFOLIO OF STOCKS, WHILST LOWERING THE EQUITY RISK THROUGH A SELECTION OF NON-EQUITY INVESTMENTS.

July Commentary

The US banking sector continues to offer attractive prospective returns for patient investors. At the recent CCAR (Comprehensive Capital Analysis and Review) the Federal Reserve permitted US banks to return 100% of net income to shareholders in the form of dividends and buybacks. This is a seminal moment and it signals that even the (perhaps rightfully) cautious Fed believes the banking system has built up sufficient capital to survive another crisis. We agree, and continue to see many paths to value creation for the banks which are still trading at a steep discount to history and also, critically, compared to our assessment of their intrinsic value.

In the case of our holding in **Bank of America**, their capital strength is hiding in plain sight on their balance sheet in the form of Operational Risk Assets amounting to \$500bn, against which the bank must hold equity capital. Assuming an equity ratio of 12% this implies \$60bn of equity capital to cover future *Operational* losses. This rainy-day money sits on top of other equity capital implicitly held to cover *Market* and *Credit* losses, and compares favourably to the \$75bn total operational losses experienced at the bank during and since the credit crisis.

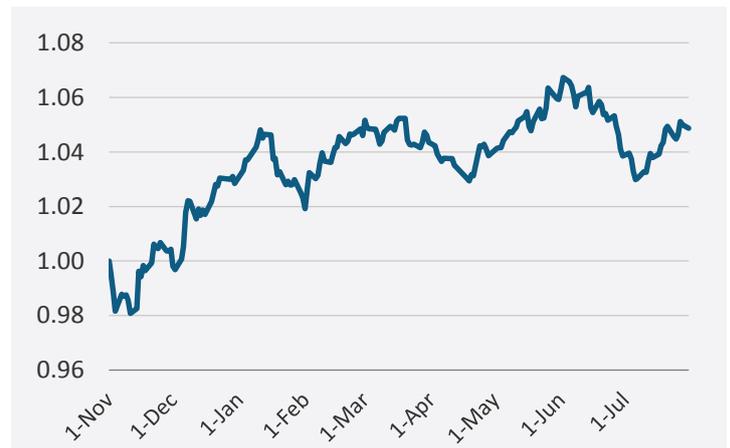
Operational risk capital, in effect, provides for inadequate models and losses in excess of expectations from expected Market and Credit risk, which are themselves provisioned for in the P&L. Operational risk is far more uncertain and, as such, is almost impossible to predict accurately. However, when a bank is holding an amount roughly equal to the cumulative loss suffered during the fallout from the worst financial crisis in living memory, it is a fair assumption that this will prove adequate whatever the future may hold.

The market clearly disagrees as Bank of America shares can be bought for 1.4x tangible book value, equivalent to about 12x earnings. Their return on tangible equity is therefore 12% and likely to rise higher over the coming years from a combination of loan growth, spread widening, and cost cutting. New technology is likely to eradicate huge portions of legacy costs. For example, 10% of Bank of America’s operating expenses (i.e. around \$5bn) is spent each year moving coins, currency and cheques through the bank’s networks. In an increasingly digital world, this is clearly a source of upside for the bank, where one in eight people already work in technology.

Strategy’s Previous Track Record¹



Latitude Horizon Fund Performance



Rolling Performance

Performance to 31-July-17	4 year ¹	3 year ¹	1 year ¹	Latitude Horizon Fund Since Launch	1 month
Latitude Horizon Fund ¹	25%	23%	6%	4.9%	1.0%

¹ Rolling performance data includes both strategy track record at Odey and Latitude Horizon Fund data since launch. Since launch data only includes Latitude Horizon Fund performance data. ¹Please see disclaimer for further information.

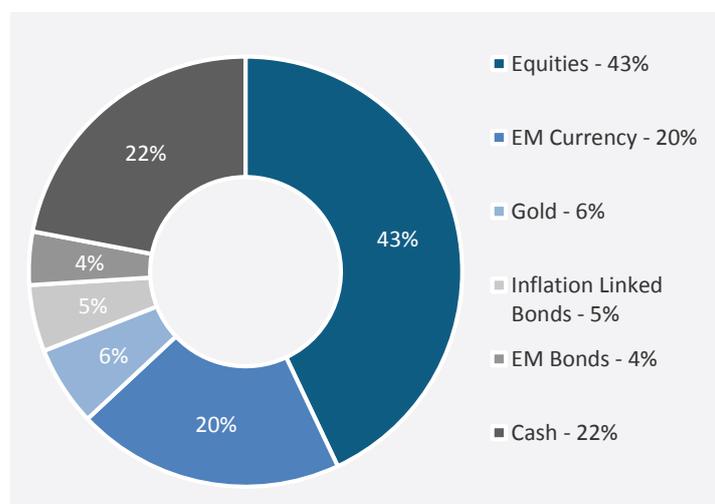
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Top 10 Equity Holdings

Stock	Percentage
Alphabet	4.0%
Autozone	3.5%
Orange	3.3%
Nokia	3.1%
Shiseido	2.9%
Unilever	2.7%
Visa	2.6%
Sony	2.6%
KPN	2.5%
Tesco	2.3%
Total Top 10	29.5%

Asset Allocations – July 2017



Key Fund Information

Fund Launch Date	1st November 2016
Legal Structure	Irish Domiciled UCITS V Fund - ICAV
Regulator	Central Bank of Ireland
Base Currency	Sterling
Regional Exposure	Global, primarily developed markets
Benchmark	The fund is not benchmarked
Share Classes	£ - A/I IE00BDC7CZ89 / IE00BD37NY30 \$ - A/I IE00BD37NZ47 / IE00BDC7JY67 € - A/I IE00BDC7CX65 / IE00BDC7CW58
Management Fee	1% per annum
Performance Fee	0%
Dealing	Daily
Administrator	SEI Investments – Global Fund Services
Custodian	SEI Investments Trustee and Custodial Services (Ireland)
Auditors	PriceWaterhouseCoopers
Legal Council	Matheson
Firm Compliance	Optima Partners
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Strategy's Previous Track Record¹ - This is a composite of Freddie Lait's performance in long-only global absolute return portfolios principally the Odey Atlas Fund ("Atlas") he managed from 19 October 2012 to 31 October 2016 during his time at Odey Asset Management LLP ("Odey"). The information above and below is for information purposes only, and none of the funds in the chart herein are being offered for investment. Performance above is for the I share class, net of fees and other charges. Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase. Investments that have an exposure to currencies other than the base currency of the strategy may be subject to exchange rate fluctuations. The data above and below reflects the reinvestment of all interest and dividends received. The new Latitude Horizon Fund is a long only UCITS fund managed with similar investment guidelines, using the same investment process and subject to similar fees and charges. For full details always refer to the prospectus. While every effort will be made to manage the Latitude Horizon Fund in the same manner there is no guarantee that there will be similar performance. Note that Atlas Fund changed from a long only UCITS fund to a long-short UCITS fund on 23 April 2014. In order to show a consistent long term track record for Freddie Lait which is a more accurate representation of how the Latitude Horizon Fund will be managed, the performance of Atlas in the chart above from 23 April 2014 to 31st October 2016 is a carve-out of his actual long only portfolio over this period, which includes his long only equity and non-equity positions, rebased to cancel out any effects from leverage. Further details on the carve-out are available upon request.

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