

# 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 AND ENHANCING RETURN THROUGH A SELECTION OF NON-EQUITY INVESTMENTS.

## November Commentary

A herd of unicorns is charging towards the financial sector. Are they a threat, or are they here to help? We believe digitalisation presents a great *opportunity* for our US banking stocks (**Bank of America (BoA) / Goldman Sachs**) and we offer a very brief justification below.

To date, most fintech companies have focussed on payments. Greater digitalisation in this area presents substantial benefits at BoA, where they spend on average \$5bn moving coins, currency and cheques through their business; around 10% of total annual operating costs. Moreover, the cost to service a customer making a digital payment versus a physical one is around 80% cheaper. It's no wonder that BoA has spent c.\$3bn recently on their digital transformation, driving rapid adoption of their mobile and digital platforms, as this could generate cumulative earnings growth of 25% through cost savings alone.

Peer to peer businesses offered the first glimpse of how difficult it is to compete with established banking franchises on their core business: lending. Lending Club, the bellwether of the sector, has fallen from \$27 per share two years ago to \$4 today as costs of regulation and bad credit have risen. We do not believe peer to peer businesses are a credible threat.

That said, perhaps a challenger, such as Amazon, will attempt to disrupt banking itself. If so, it requires two things: capital and expertise. BoA's tangible book value is c.\$170bn compared to Amazon's \$14bn. Above this required capital, the challenger would need to raise deposits to offer out as loans. Some would come naturally from their existing customer base, but most would require a higher rate to tempt them to switch. If, on average, the deposits cost 50bps more, this would imply net income margins of around 200bps for the challenger v 250bps for BoA (assuming similar underlying loan pricing). Given the lack of credit history and underwriting experience, plus the fact that early adopters of challenger banks tend to be lower quality borrowers, it's fair to assume a required provisioning of 100bps compared to BoA's 50bps.

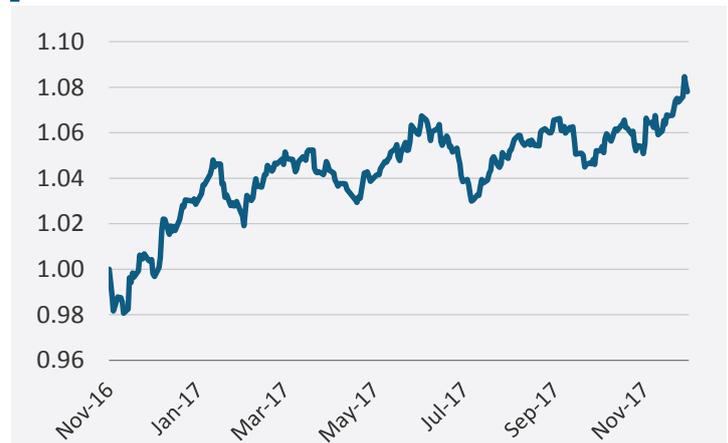
Therefore, even giving a challenger the benefit of the doubt on capital efficiency, cost efficiency, average loan yields and more, we see that returns would be around half the level of the incumbent, while requiring huge capital investments. BoA currently generates a return of 12%. This is not a sufficiently juicy return for the unicorns to feast on at this stage.

## Strategy's Previous Track Record<sup>1</sup>



Source: Odey Asset Management LLP

## Latitude Horizon Fund Performance



## Rolling Performance

Performance to 30-Nov-17	5 year <sup>1</sup>	3 year <sup>1</sup>	1 year	Latitude Horizon Fund - Since Launch	1 month
Latitude Horizon Fund <sup>1</sup>	52%	21%	7.3%	7.8%	2.6%

<sup>1</sup> 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. <sup>1</sup>Please see disclaimer for further information. The Latitude Horizon Fund performance data is for the GBP Inc and Acc share classes.

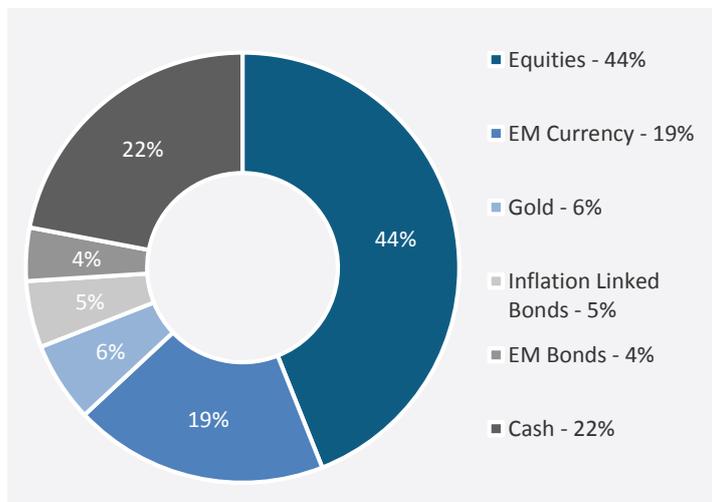
## Latitude Horizon Fund



## Top 10 Equity Holdings

Stock	Percentage
Alphabet	4.2%
Autozone	4.2%
Shiseido	3.8%
Orange	3.2%
Visa	2.8%
Bank of America	2.7%
Sony	2.7%
Unilever	2.5%
Tesco	2.5%
KPN	2.4%
<b>Total Top 10</b>	<b>31%</b>

## Asset Allocations – November 2017



## Key Fund Information

Fund Launch Date	1st November 2016
Fund Manager	Freddie Lait
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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# Latitude Horizon Fund



**Strategy's Previous Track Record<sup>1</sup>** - 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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Latitude Horizon fund data source - Latitude Investment Management LLP and external published sources.