

# 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.

## September Commentary

Currency trading is extremely difficult and, after fees and spreads, it offers an expected return of less than nothing. Since the crisis, when global interest rates fell towards zero, FX markets have had no fundamental framework for valuation. The recent sharp spins of the wheel of currency fortunes resembles a compass sitting at magnetic north, offering no clarity until after we have moved towards a new destination, by which time it is of little use.

The question is: should investors engage in this zero sum activity and, if so, how. We believe it's essential to consider currency risks within any global portfolio and we use currency forward contracts to hedge our portfolio back to base in two scenarios.

First, if we have a strong view that a currency to which we are exposed is likely to fall, we will hedge out the exposure. Second, if a sharp fall (say 10% or more) in a non-base currency is reasonably possible (perhaps 20/30% or more) and such a move would cost the portfolio more than 100bps, then we will hedge around the possible event.

To think about this, consider the alternative. Roughly c.80% of our equity allocation is overseas. Given our 50% allocation this implies

a 40% non-base exposure. Currently our non-equity investments are all denominated in US Dollars, a further 35% non-base. At 75%, a 10% appreciation of sterling to \$1.45 would cost the portfolio c.7.5% *ceteris paribus*. Despite being uncertain as to the likely outcome of the Brexit negotiations, a move of this magnitude is very possible in a positive deal scenario, and still possible in a weaker 'backstop' scenario as the clouds of uncertainty lift.

As a result, on 13<sup>th</sup> September we hedged 95% of our portfolio to protect against this scenario.

Whatever happens to sterling in the coming months will not affect our performance directly, only through the businesses which we own and the earnings streams within them. While we sacrifice any upside from a collapse in sterling, we reduce our risk substantially in the event that it rallies, allowing the individual components of the portfolio to continue to perform relatively independently of one another, instead of implicitly taking a large singular position on the outcome of a deeply uncertain macro event.

### Strategy Track Record<sup>1</sup>



### Latitude Horizon Fund Performance



Source: Odey Asset Management LLP, Latitude Investment Management LLP

### Rolling Performance

Performance to 30-Sep-18	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>	33%	26%	7%	13%	-0.3%

<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.

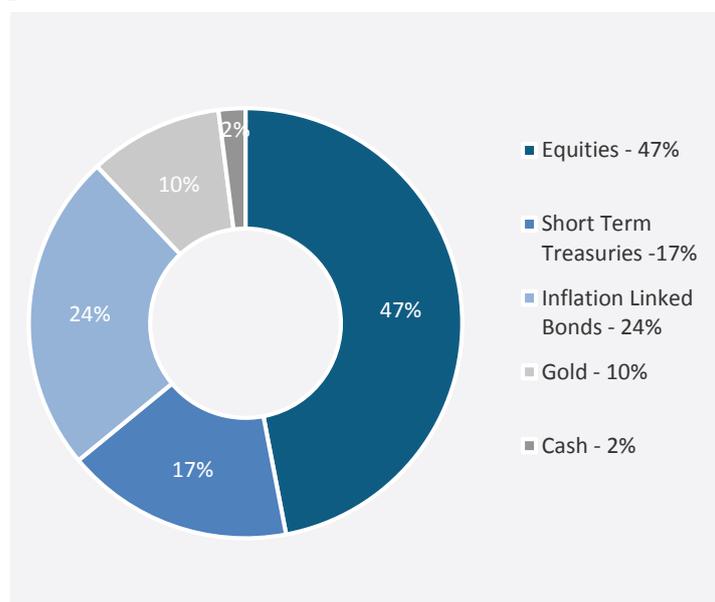
## Latitude Horizon Fund



## Top 10 Equity Holdings

Stock	Percentage
Sony	3.5%
Shiseido	3.3%
Advance Auto Parts	3.2%
Nokia	3.1%
Unilever	3.1%
Tesco	3.1%
Alphabet	3.0%
Bank of America	3.0%
Autozone	2.9%
Imperial Brands	2.9%
<b>Total Top 10</b>	<b>31.1%</b>

## Asset Allocation – September 2018



## 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 Institutional Classes £ - A/I IE00BG1TMR88 / IE00BG1TMP64 \$ - A/I IE00BG1TMT03 / IE00BG1TMS95 € - A/I IE00BG1TMQ71 / IE00BG1TMK10
Management Fee	1% per annum 0.75% per annum (Institutional Classes)
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
Primary Platforms (Full list available upon request)	Cofunds FNZ Hargreaves Lansdown Interactive Investor Raymond James Transact Alliance Trust Old Mutual Wealth
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**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") and Latitude Horizon Fund performance data since launch 1 November 2016. The information above and below is for information purposes, only the Latitude Horizon Fund is 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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**For Hong Kong investors:** You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document and its contents have not been reviewed by any regulatory authority in Hong Kong.

Latitude Horizon fund data source - Latitude Investment Management LLP and external published sources.