

# 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.

## October Commentary

October was the second worst month for global stock markets since the depths of the crisis in 2009 and, as we enter our third year as an independent business, we seem to have ever more to think about.

Clouds which form as markets fall are often silver-lined, and this month we were able to initiate a position in **Starbucks** at a great entry point. The stock had fallen behind the recent rally, since 2015, and was trading at around a 25% discount to our assessment of fair value. The underlying compounding power of the business is still strong at around 14-20% per year according to our estimates. A combination of strong (c.8%) unit growth, principally in China, combined with 2-3% pricing and, hopefully, a pickup in global transaction growth should drive double digit revenue growth. On top of this there is a buyback program, initially funded from the very lucrative deal struck with Nestle, which should add 3% to EPS growth, and there is optionality around like-for-like growth from new premium stores, in app loyalty programs and finding a replacement product for the Frappuccino.

We also exited two positions (Royal Mail and KPN) in part to fund the Starbucks purchase. **Royal Mail** issued a surprise statement on the 1<sup>st</sup> October in which the new management team dramatically reset expectations around productivity gains from the UK workforce. While unexpected announcements like this are never positive we appreciate that, when investing for the long term, the future remains deeply uncertain. What matters to us is that key features of our investment

assessment are unchanged, allowing us to have faith in the business as it evolves. Sadly in this instance the new information contained in the release was negative in two ways. Firstly, when investing in turnarounds we will only support management teams who have a strong grasp of the issues at hand, and the clarity of thought to address them. Secondly, we believe businesses need fantastic labour relations in order to thrive. Recent negotiations with the UK unions were reported positively by the previous management team, only to now be revised down severely. These two changes give us far less confidence over the coming years and led to the decision to sell.

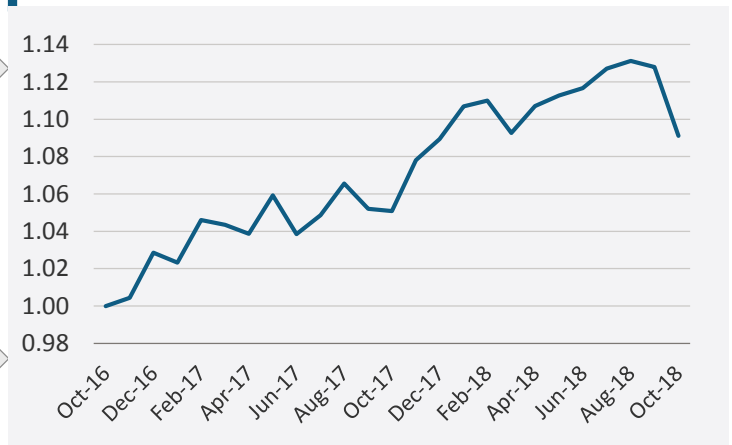
When we initiated the position in **KPN** a few years ago we did so in the belief that cost cutting would be effective at stabilising the P&L and lead to a more solid foundation for growth in the future. While they have delivered well on efficiency efforts, there appears to be far less likelihood of growth in the future. As a result, the story which remains for shareholders is one of cost cutting alone, an unattractive offering for a leveraged, high fixed-capital business. The stock performed well in October thus giving us an attractive exit point.

All in all a return of volatility to the markets should be welcomed for the opportunities it provides. Moreover, as markets and valuations fall stocks become *less* risky, giving us greater confidence in future returns. **Thank you** for continuing to join us on the journey through our third extraordinary year.

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



## Latitude Horizon Fund Performance



Source: Odey Asset Management LLP, Latitude Investment Management LLP

## Rolling Performance

Performance to 31-Oct-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>	25%	16%	4%	9%	-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.

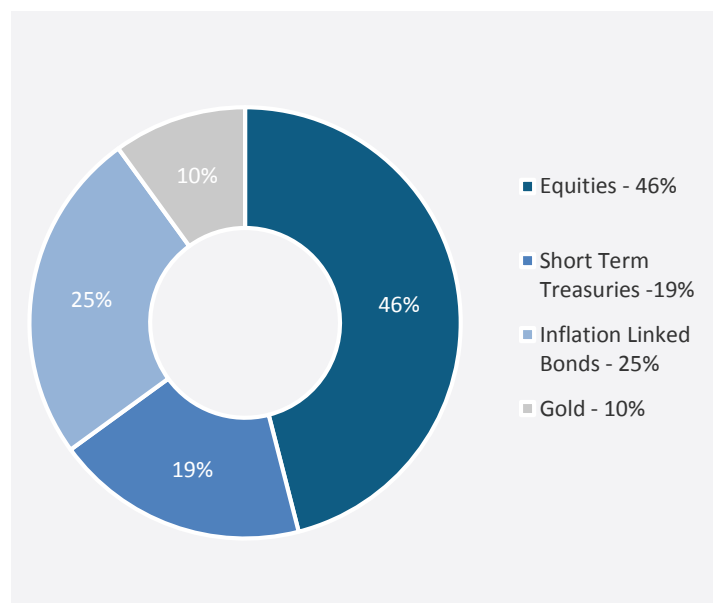
## Latitude Horizon Fund

**LATITUDE**  
 INVESTMENT MANAGEMENT

## Top 10 Equity Holdings

Stock	Percentage
Nokia	3.5%
Sony	3.4%
Advance Auto Parts	3.3%
Unilever	3.3%
Orange	3.1%
Imperial Brands	3.1%
Autozone	3.1%
Bank of America	3.1%
Shiseido	3.0%
Alphabet	3.0%
<b>Total Top 10</b>	<b>31.8%</b>

## Asset Allocation – October 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
Contact Details	Alex Robins <a href="mailto:alex.robins@latitudeim.com">alex.robins@latitudeim.com</a> +44 (0)207 087 9275

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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.

Please seek advice from your regulated Investment Advisor, before making any investment decisions. Past performance is not a guide to future performance and may not be repeated, the value of an investment may go down as well as up and you may not get back the total value of your investment. Foreign currencies denominated investments are subject to fluctuations in exchange rates that could have a positive or adverse effect on the investor's return. This product may put your capital at risk. This is an Undertaking for Collective Investment in Transferable Securities (UCITS) regulated by Central Bank of Ireland (CBI). The information herein was obtained from various sources. We do not guarantee its accuracy. This information is for your private information and is for discussion purposes only. A variety of market factors and assumptions may affect this analysis, and this analysis does not reflect all possible loss scenarios. There is no certainty that the parameters and assumptions used in this analysis can be duplicated with actual investments. Unless otherwise stated, any pricing information in this presentation is indicative only and is subject to change. Prior to undertaking any investment, you should discuss with your professional tax, accounting or other adviser how such a particular investment(s) affect you and whether it is suitable. All analysis (whether in respect of tax, accounting, law or of any other nature), should be treated as illustrative only and not relied upon as accurate. This document is being made available by Latitude Investment Management LLP who are Authorised and Regulated by the Financial Conduct Authority under registration number 774437. Latitude Horizon Fund, a sub-fund of DMS UCITS Platform ICAV (An Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registration number C141639 and authorised by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities). Regulations 2011 (as amended). Management Company provided by DMS Investment Management Services (Europe) Limited.

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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.