

Odyssean Investment Trust PLC

Q2 2021 Update

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Executive Summary – Q2 2021



NAV growth c.11% over the period

- NAV rose 10.8%^{1,2} in the period, exceeding the NSCI + AIM ex IC index (“Comparator”) which rose 6.0%^{2,3}
 - Net cash averaged 8% over the quarter, ending at c.4%
- 3 year track record established for OIT. NAV growth per share has been double the Comparator return, despite the portfolio running with a net cash position
- Portfolio:
 - Bids for Elementis (rejected), Spire and Vectura. Bids for the latter are not “knockout”
 - With the exception of Clinigen, trading updates have been positive
 - Two new investments made in the quarter
 - c.80% of invested portfolio in core £100m-£1bn market cap range. Recent new investments £100-300m mkt cap at purchase
 - Industrials is now the largest sector exposure, driven by price moves and recent investments in the B2B Electronics sector
- Themes for the Quarter – M&A; Inflation; why we like B2B electronics
- 1.3m new shares of OIT issued during June 2021
- OIT’s shares ended the period trading at c.0.4% premium to NAV of 154.4p^{1,2}.
- Modest placing of 3.7m OIT shares announced 8th July 2021. Blocklisting remains in situ

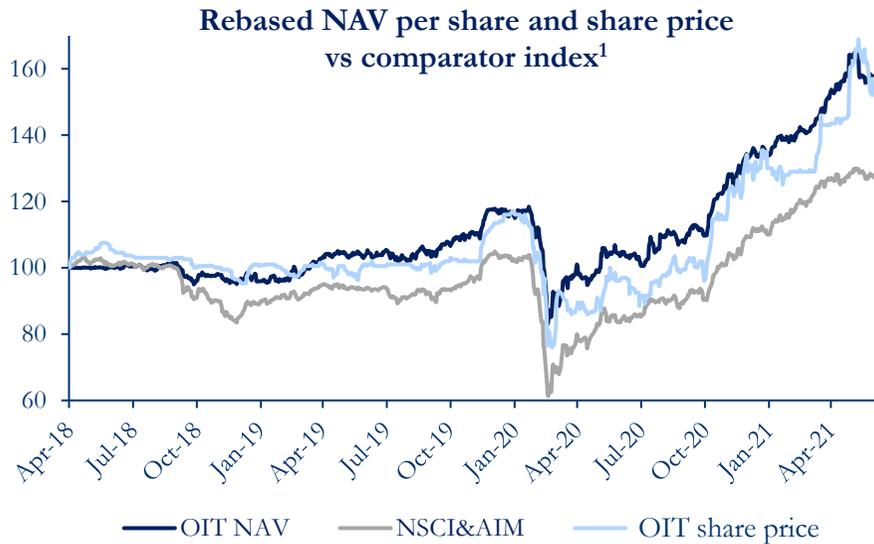
As at 30th June 2021. Performance measured from COB 1st May 2018 Source: ¹ Odyssean Capital ² Link Asset Services ³ Bloomberg. The NSCI + AIM ex Investment Company index is only used for the purposes of calculating performance fees. OIT does not attempt to match the composition of this index. The investment strategy is unconstrained and not benchmarked against any particular index. Past performance is no guarantee of future performance and the value of investments can go up and down

Performance update



NAV up c.11% in period with strong share price performance

Performance	%						
	Q2-21	YTD -21	LTM	CY20	CY19	Inception to Dec-18	Since inception
NAV Total Return Per Share ¹	+10.8%	+18.2%	+51.6%	+13.1%	+22.0%	-3.7%	+57.0%
Share price return ³	+20.2%	+20.2%	+60.6%	+14.2%	+17.7%	-4.0%	+55.0%
NSCI + AIM ex IC Total Return ³	+6.0%	+16.4%	+52.3%	+4.9%	+22.2%	-15.0%	+26.9%
Average cash balance ²	8%	8%	7%	9%	17%	65%	23%



As at 30th June 2021. Performance measured from COB 1/5/18, share performance since inception assumes IPO price of 100p. Source: ¹Link Asset Services, Bloomberg, Odyssean Capital; Numis Smaller Companies plus AIM ex Investment Companies Total Return Index. Rebased to start NAV ² Link Asset Services, Odyssean Capital ³ Bloomberg. YTD – Year to Date; LTM = Last 12 months. Past performance is no guarantee of future performance and the value of investments can go up and down

Performance drivers in Q2 2021

Key stock contributors



Largest positive contributors



- Covid impacted FY20 results showed an improving trend through the year, which continued into the start of FY21.
- Operationally the group continues to deliver cost savings, and build a more integrated, business. Excitingly the group is also progressing its investment in e-commerce capabilities – an exciting opportunity to monitor in the coming years



- Spire announced a recommended cash offer from Ramsay Health at 240p – a 24% premium to the prior close share price. The bid has since been increased to 250p
- We view the price as below a ‘knock out’ level and note several large shareholders have announced they are unlikely to support the bid

ELEMENTIS

- Strong Q1/AGM statement confirmed positive trading momentum with the Coatings business recovering strongly, whilst Personal Care and Talc continued to see covid headwinds
- We continue to expect ongoing covid recovery to come along with self help actions supporting a material step up ingroup earnings

Flat performers / Largest negative contributors



- A disappointing trading update flagged covid driven weakness in the commercial medicines division and a c.10% profit downgrade. Shares fell materially
- We continue to see long term value in the platform built at Clinigen and a covid recovery to come. However we see the need for change in the group to deliver this. The first step is an overdue change of Chairman, with an external successor. We have communicated this to the company and its advisors



- Devro’s Q1 update showed volume growth accelerated to 4.6%, largely driven by emerging markets, but shares remained broadly flat through the period
- This pleasing progress on growth alongside cost saving self help actions, and cash generation from a well invested asset base continue to underpin our ongoing confidence in the investment case



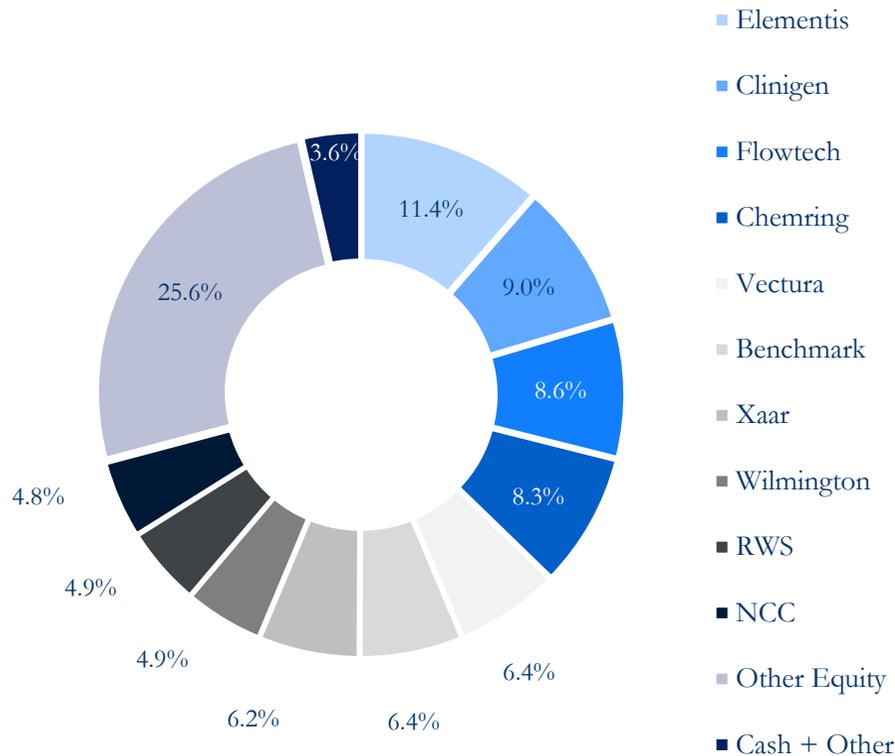
- RWS announced an ‘in-line’ set of interims, an increase in expected synergies from the SDL acquisition to £33m, and a surprising change in CEO. Shares ended the period broadly flat
- We continue to expect progression from RWS as SDL synergies are delivered and the covid recovery continues. We look forward to meeting the new, incoming CEO in due course

Portfolio

High conviction portfolio



Top portfolio holdings¹



- Top 10 holdings account for 71% of NAV
- New top 10 position in Xaar built through the period. Position initiated in September 2020
- Two further initial positions started during the period outside of the top 10
- Further investments made in NCC (support of M&A), Chemring and Flowtech
- Continued sell down of RWS, recycled into other positions
- Cash balance reduced through period

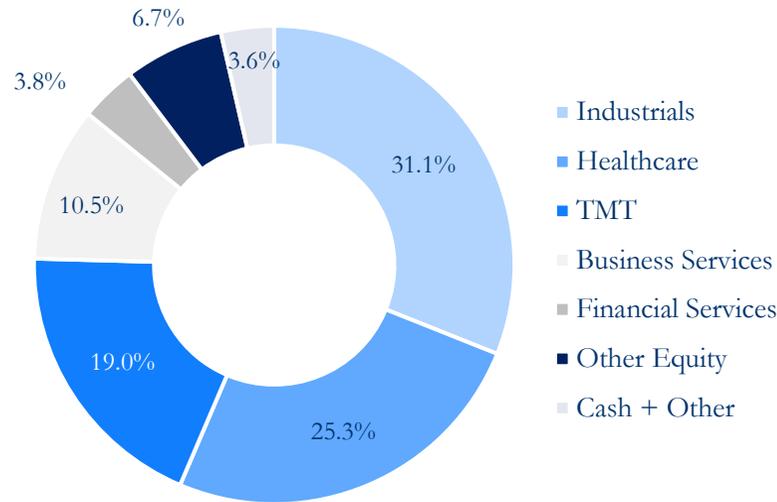
Source: ¹ Odyssean Capital LLP, Link. as at 30th June 2021. Figures may not add up to 100% due to rounding

Portfolio

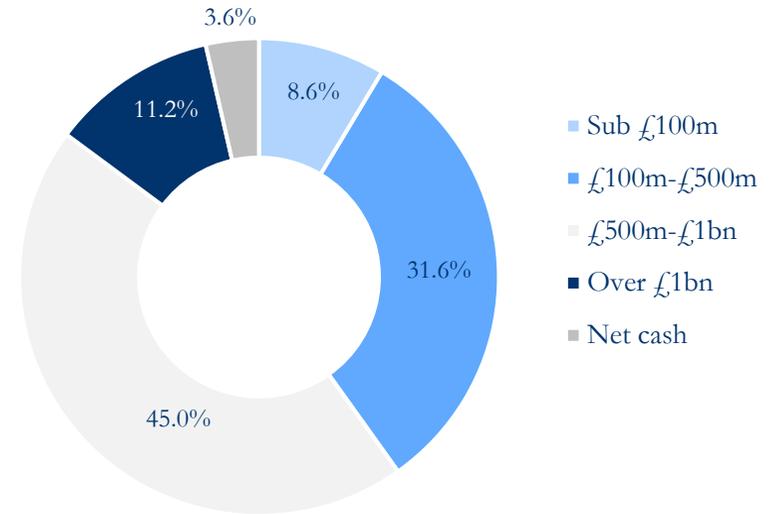


Focused on our core sectors and core market cap range

Holding by sector ¹



Holding by market cap ¹

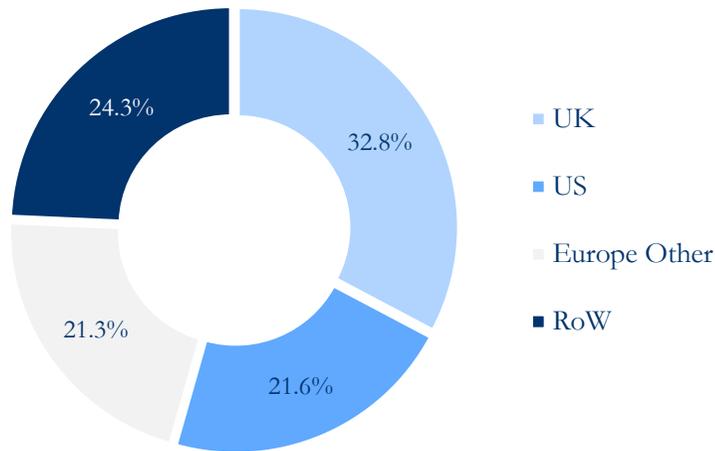


- Following investments in the period, industrials is now the largest sector in the portfolio - profits taken from healthcare and TMT names in the period
- Small new position in financials services – service driven business models (not balance sheet) and areas we were able to diligence well through our network
- Net cash balance of c.4% - expected bid proceeds to come
- 79% of invested exposure in core target market cap range of £100m-£1bn
- Fall in larger market cap positions driven by sell down of some names over £1bn (RWS), and new investments in companies with market capitalisations below £300m

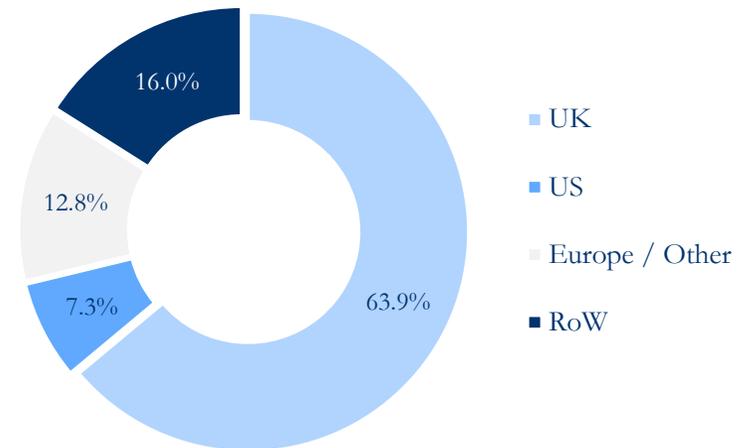


Portfolio has higher proportion of international earnings than the FTSE Small Cap

Revenue exposure of portfolio^{1,2}
(NAV weighted exc. cash)



Revenue exposure of FTSE Small Cap Index³
(% sales)



- Portfolio revenue generation is balanced by geographic area, which we believe spreads political risk
- OIT's portfolio overweight international revenues and underweight UK vs FTSE Small Cap
- Little change in underlying FX exposure during quarter

Source: ¹ Odyssean Capital and Link. as at 30th June 2021. ² FactSet company filings. ³ Liberum/Bloomberg as at December 2020. OIT does not attempt to match any composition of any index including the FTSE Small Cap Index. Data is provided for information purposes only.

Top 10 holdings summary

Niche market leaders. Often with international operations and self-help



Holding	Market position	Self-help/engagement opportunities
	Global market leader with high quality industrial talc and high quality hectorite clay US market leader in chromium chemicals	Plant footprint optimisation; more higher value add products; invest in salesforce
	Global market leader in Managed Access Programmes for unlicensed drugs	Cashflow to reduce debt; back and mid office system investment. New COO appointed. Reduce complexity
	UK market leader in hydraulic and pneumatic components distribution	Integration of past M&A and delivery of synergies. Digital strategy
	Global market leader in specialist countermeasures and niche detection technologies A UK market leader in niche defence-related cyber security	Capex to continue to improve automation and productivity
	Global market leader	Cost reduction in Swiss operation. Lyon manufacturing site. Grow CDMO business. Balance sheet efficiency
	Global market leader in Salmon genetics. Global market leader in specialist aquaculture nutrition. Global market leader in next generation sea lice treatment	Reorganisation largely complete. BMK08 approval and Cleantreat commercialisation
	Unique product proposition in global market for digital printing heads for industrial printers	Monetise 3D printing JV with Stratasys. Commercialisation of considerable IP and regain of market share
	Leader in providing data, networking and training across multiple niche, professional end markets	Technology investment in sales, CRM and centralising of data to drive growth. Improve IR on a complex story
	Global market leader in translation services and technology	Integration of SDL plc, delivery of synergies and efficiencies. Further M&A
	UK and US market leader in software escrow services. Leading independent cyber security services provider	Integration of US acquisition IPM. Cross sell of products and services

Portfolio takeover activity since OIT's IPO

Thinking like a trade/PE buyer adds value through Portfolio Company M&A



Company	Date of bid	Sector	Bidder	Nature of bidder
 CONSORT MEDICAL	November 2019	Healthcare	Recipharm SE	Trade - Sweden
HUNTSWORTH	March 2020	Media/Healthcare	Clayton Dubilier Rice	Private Equity - US
 SDL*	August 2020	Technology	RWS plc	Trade - UK
 Spire Healthcare	May 2021	Healthcare	Ramsey Healthcare Ltd	Trade – Australia
 VECTURA	July 2021	Healthcare	Philip Morris International	Trade - US
Bid approaches – rejected/lapsed				
ELEMENTIS	November 2020	Industrials	Minerals Technology Inc	Trade – US
ELEMENTIS	April 2021	Industrials	Innospec Inc	Trade - US
 VECTURA	May 2021	Healthcare	Carlyle	Private Equity - US

Inflation



We have reviewed the portfolio positioning for inflation against 3 key areas of question

Pricing flexibility

Can you raise prices?

How quickly can prices be changed?

Are there inflationary linkages in contracts?

Favorability of market structure

Market leadership & competitive dynamics?

How fragmented are customers / suppliers?

Benefit from a distributor model?

Input intensity of business model

Capital intensity of the business?

Well invested / asset backed?

High margin

Elementis case study. Largest holding in OIT



Under valued cyclical recovery opportunity, with self help accelerants

Share Price



Price / book



Global specialty chemicals producer serving niche markets with an unusual, vertically integrated business model

Quality – Leading player in niche markets protected by unique mineral assets, with strong cash generation potential

Static Valuation – Entry at significant discount to our view of SOTP¹ value, underpinned by value of tangible assets

Dynamic Valuation – Multiple drivers: Recovery in revenues, strong cash generation and self-help through delivery of benefits from recent organic and M&A investments

Engagement opportunity - Under owned stock with opportunity to enhance IR, potential value crystallization through disposal of non-core operations

	FY 2018 peak ²	Improvement	FY 2023 Est ³	FY 2024 Est ³
Sales	\$959m	Target \$100m from new products. Est drop through to EBIT of 35-40% ²	\$882m	\$912m
EBITA	\$154m	\$37m cost savings ²	\$129m	\$141m

Source: Factset as at 30th June 2021 ¹ SOTP – Sum of the Parts ² Source: Elementis plc ³ Source: Bloomberg as at 1st June 2021

Industrials has increased to more than 30% of NAV



Niche electronics accounts for c.10% points of this

Thesis – significant recovery and self help in certain Industrial companies. Unlike Consumer & Leisure sectors, we believe that full recovery is not priced into many shares. In addition, M&A activity is more prevalent than Consumer & Leisure

Electronics sector credentials

- Team's prior investments in industrial/B2B Electronics over more than a decade (Andor; e2v; Gooch & Housego; Ultra Electronics; XP Power)
- Panel of Advisor expertise – John Poulter – CEO and Chairman at Spectris plc (and predecessor Fairey Group plc)

Why do we like B2B Electronics?

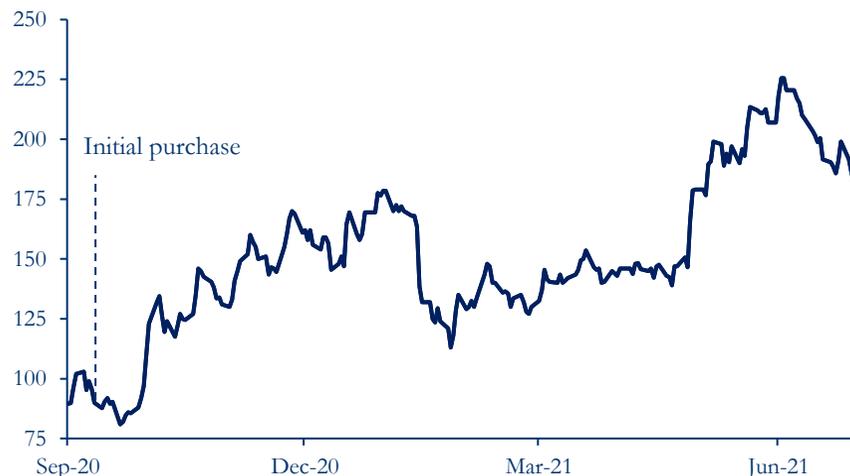
- Relatively capex light/light assembly
- Barriers to entry - high IP/know-how in manufacturing, materials science and design; distribution; service; long development and customer approval times; reputation
- More sustainable competitive advantage than B2C electronics – longer product life cycles; less competition; customer and supplier bases are typically more diverse/fragmented, broader product portfolio; more aftermarket potential
- Quality, performance and service often much more important than price for their customers
- Returns can be substantially improved by management change

Xaar Case Study. Recent new position in niche B2B electronics



Recovery story with entry price supported by clear asset backing

Xaar share price development



Xaar asset backing at Sep-20 (£'M)

Cash	22.8
Expected JV sale proceeds	23.6
Property	6.2
Plant & machinery	10.4
Inventories	14.3
Clear 'asset backing'	77.3

Group EV - Sep 20	57.0
<i>Group Market Cap - Sep 20</i>	<i>74.0</i>

Other items:	
Balance sheet net assets (Jun 20)	65.9
Last 5 years expensed R&D	44.8
Original book cost of manufacturing facility	70.0
Insurance value of manufacturing facility	100.0

Leading, independent developer and manufacturer of industrial inkjet print heads. Unique product architecture with IP based on many years of significant R&D investment

Quality – Unique, highly valuable IP in printer head design, materials technology and manufacturing processes. Well invested manufacturing footprint. Reputation with customers recovering following period of mis-management

Static Valuation – Entry value well supported by asset value (cash, expected sale proceeds, property, and inventory), entry rating below our view of value to potential large strategic players on EV/Sales

Dynamic Valuation – Multiple drivers: Recovery in revenues to historic levels through reorganisation of go to market strategy and new product launches. Rapid margin recovery through improved utilization of the well invested manufacturing footprint. Strong cash generation with possible acceleration through bolt on M&A to expand capability

Engagement opportunity – Capital / resource allocation. Potential to monetise historic R&D & Capex. Story poorly understood by market, opportunity to ‘re-launch’ through improved IR

ESG - Portfolio company voting record over Q2 2021



Comment

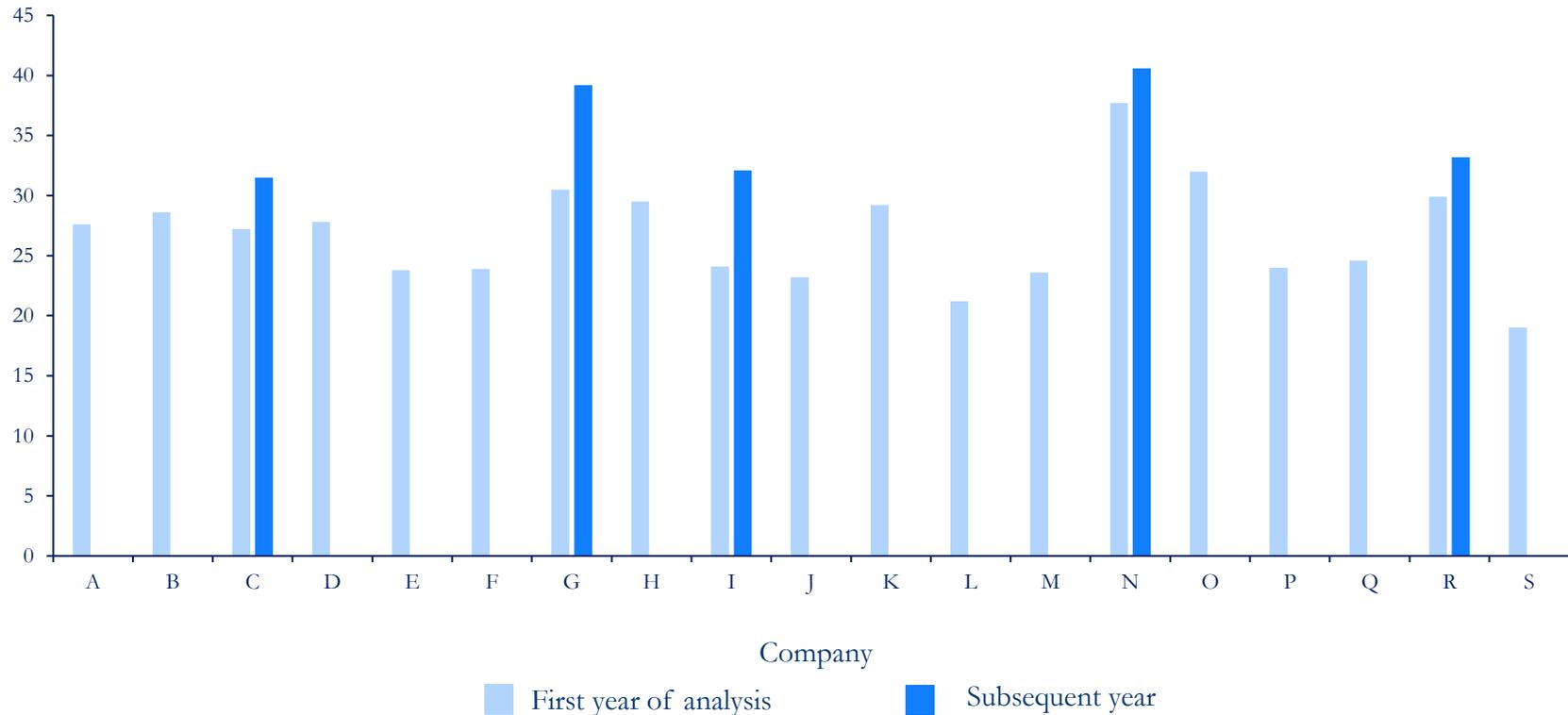
Number of meetings	8	
Number of resolutions	102	
Number voted	102	
Voted with management	93	
Voted against management	9	<ul style="list-style-type: none">- Authority to allot shares >10% of issued share capital where there is no immediate need to do so- Issuance of >10% of share capital without pre-emption rights- Political donations

ESG performance and disclosure



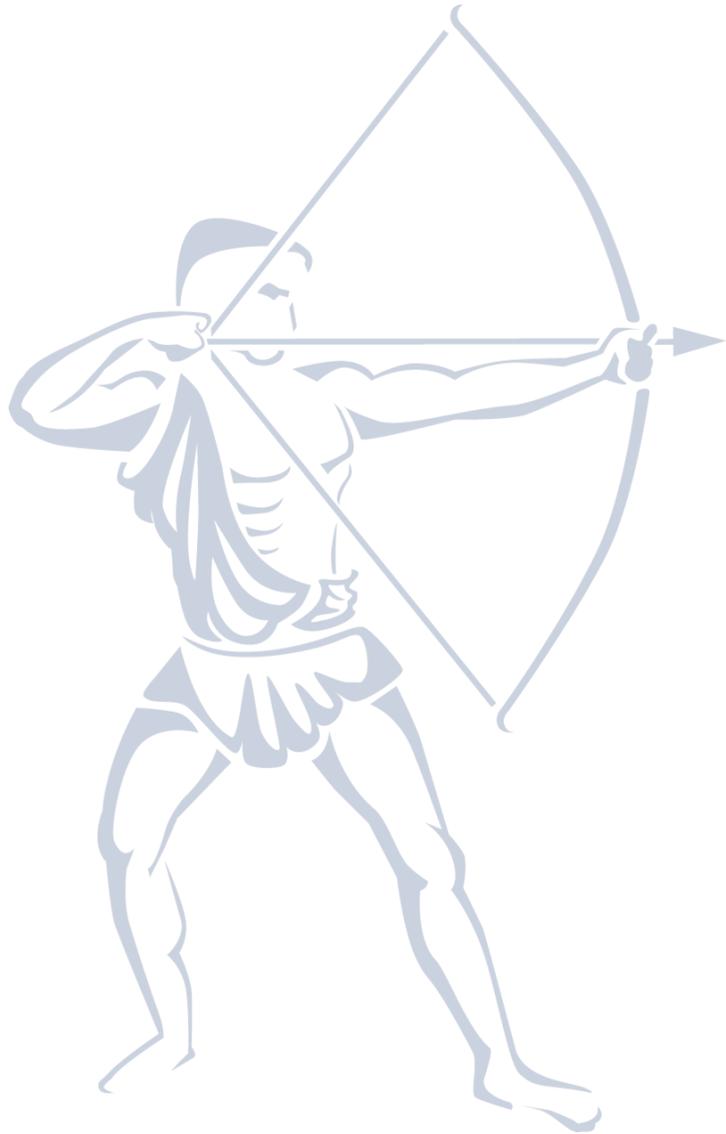
Portfolio company range of 19-41 compared with best in class FTSE 100 of 65

ESG performance and disclosure (out of 100) of portfolio companies ordered by market cap



- Improving trend of ESG performance and disclosure from our portfolio companies

Source: CEN ESG Advisory; Odyssean Capital. As at 30 June 2021. The score represents the scoring carried out by CEN-ESG, a specialist ESG rating service which takes a composite view of all of the major rating agencies' methodologies and applies these consistently to quoted equities. In many cases, they are the only provider of data for UK quoted smaller companies, which are too small to attract attention from the large ESG rating agencies.



Outlook & Data

Outlook



Despite the healthy recovery in the NAV post March 2020 we still see good long-term upside

Overall market conditions

- UK market has lagged international peers for some time
- Despite this, virus driven market and individual stock volatility is likely to be high in the short-term. This may lead to more pricing anomalies, which we hope to exploit

Opportunities & reasons to be positive

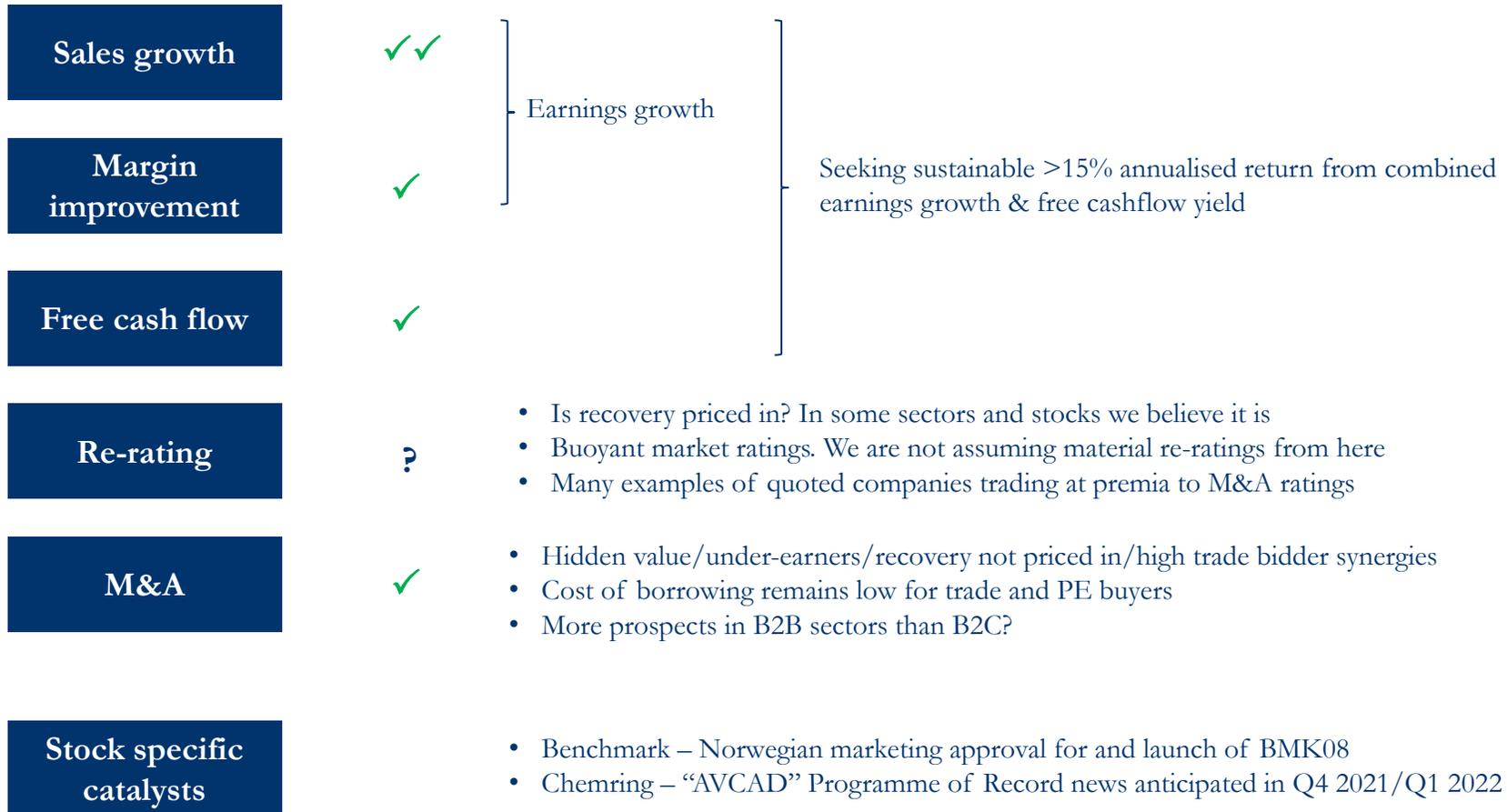
- UK vaccine success will lead to widespread restrictions being relaxed on July 19th 2021
- Accommodative fiscal and monetary policy likely to continue for now. Financial repression remains the least worst solution?
- Borrowing remains cheap for corporates and governments
- Portfolio has blend of COVID recovery potential and self help, but we believe it is reasonably priced
- Hot M&A market conditions

Risks & reasons to be cautious

- EU's challenged vaccine programme risks a slower recovery as well as political and economic instability in the Eurozone
- Equity markets, especially highly rated growth stocks, are expensive and dependent on both continuing recovery as well as monetary policy remaining extremely benign. Continued rises in bond yields (i.e. "risk-free rate") may lead to a re-pricing of equities
- Many equities are pricing in a lot of good news already

Outlook for medium term NAV growth

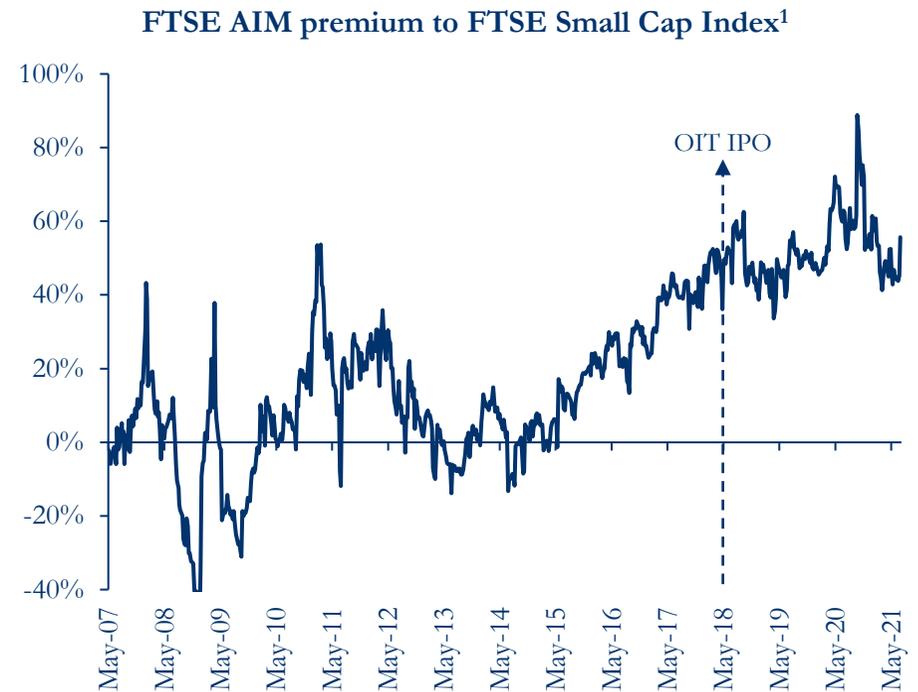
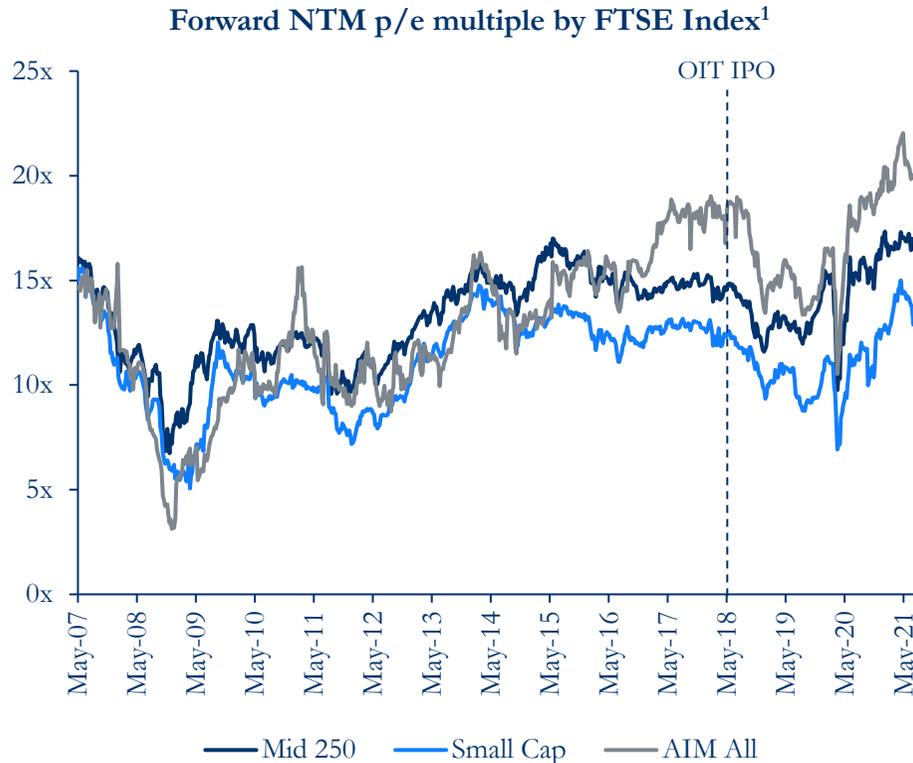
Our views on prospects for the key drivers



Ceteris paribus, there seems more value among full list companies



We avoid highly rated “IHT business asset relief favourites” trading on AIM

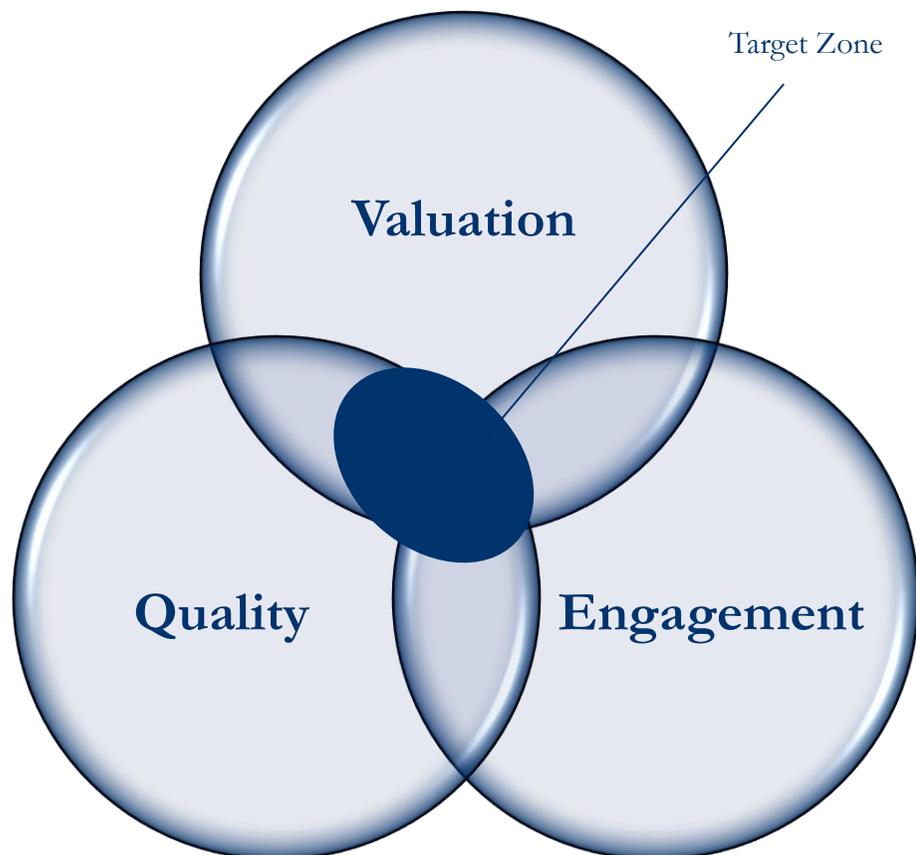


- Forward ratings for Small Cap and AIM peaked at the end of April 2021
- Small Cap and AIM indices have de-rated whereas Mid 250 ratings remain high

¹As at 2 July 2021. Source Peel Hunt. Only includes positive earning companies

Investment strategy recap – neither growth nor value

Based on 3 pillars: Valuation, Quality and Engagement, with Sector focus



Valuation

- Invest at a significant discount to owner's valuation
- Look for businesses with multiple drivers of equity value growth (sales; margin; rating; free cashflow; M&A)
- “Make money”, not beat an index

Quality

- Strict quality overlay to complement value focus
- “Good companies”
- Limit downside

Engagement

- Seek out “self-help” /transformation situations
- Integrated
- Proactive not reactive
- Tend to engage anyway as a Top 5 shareholder

- We aim to make money (target >15% IRR on every investment) with a favourable risk/reward
- Sector focus (TMT, Healthcare, Industrials, Services)

Sectors we focus on

We focus on four key sectors we know well



- We believe the best investment decisions are made from a base of knowledge and experience
- We focus on sectors where the team has expertise and where we have successfully made money
- Our core sector focus is driven by our investment approach
 - TMT: Software managed services and niche electronics
 - Services: Higher value-add “white collar” and tech enabled services
 - Healthcare: Services, not speculative pharma/biotech
 - Industrials: Niche, high IP products
- Companies with the following characteristics best suit our investment approach:
 - Low cyclicality
 - B2B focus
 - High/improving ROCE/cash margins
 - In-house sector expertise

Odyssean: view of main sectors

	Low cyclicality	B2B focus	High ROCE/cash margins	Sector expertise
TMT	●	●	●	●
Services	●	●	●	●
Healthcare	●	●	●	●
Industrials	◐	●	◐	●
Financials	◐	◐	●	◐
Consumer	◑	○	◐	◐
Property	◑	◐	◑	◐
Resources	○	◐	◑	○

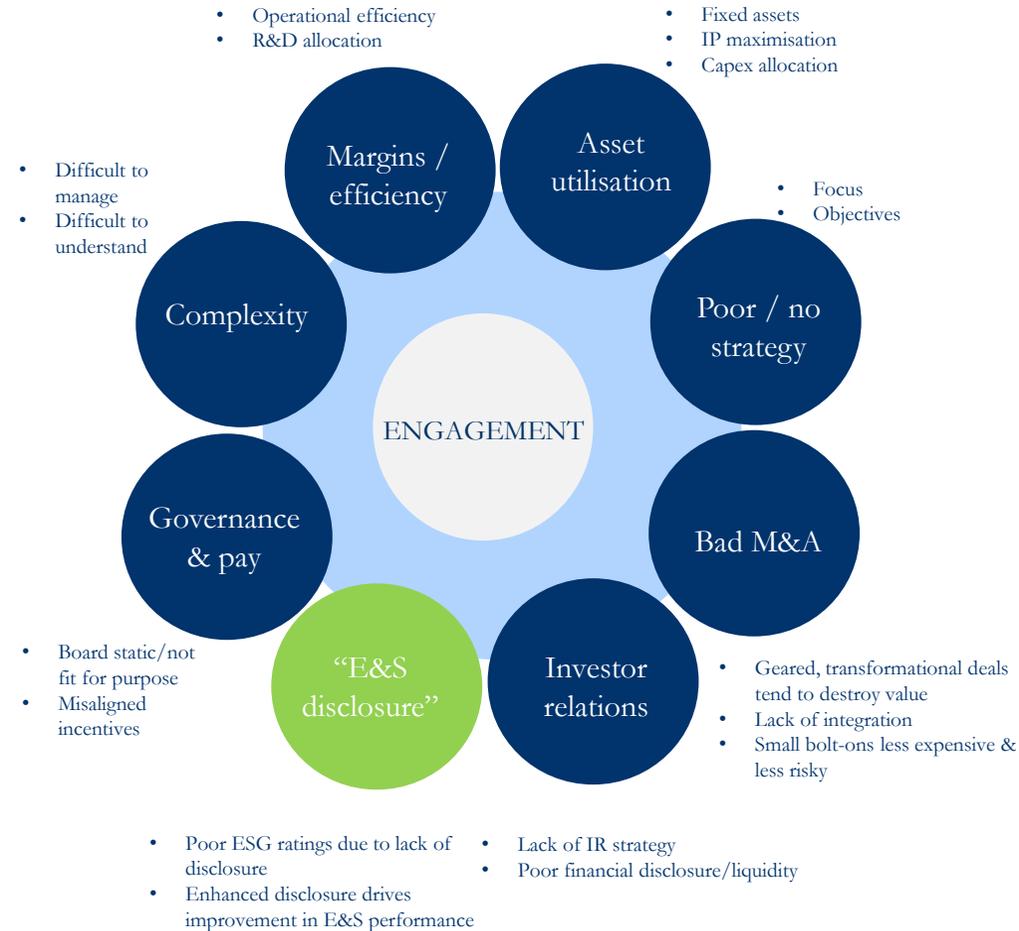
■ Sectors we focus on

Corporate engagement

Goal to augment returns from stock selection



- We use engagement to create, defend or recover value and to deliver differentiated returns
- The investment team has more than 15 years experience engaging with smaller companies
- Team members are well networked and believe that persuasion with superior knowledge and understanding achieves the best results
- Peers are often open to supporting an engaged shareholder with change proposals
- Historic focus on Governance/financial performance
- Increasing focus on Environmental and Social disclosure and performance



Portfolio construction

Our strategy is more similar to Private Equity than other Public Equity funds



	Typical Long Only	Odyssean Strategy	Typical Private Equity
Number of positions	50-100	Up to 25	10-15
Typical position size	1%	3-8% at cost, max 20%	10%
Typical holding period	Variable	3-5 years	3-5 years
Due diligence	Light to Medium	Medium to High	High/Forensic
Typical target ownership	0.5-3%	2-20%	Majority/Supermajority
Sectors	Own most/All	Focus on a few	Focus on a few
Control	No control	Influencing stake	Full control
Approach to risk	Diversification & tracking error	Focus & due diligence	Focus & due diligence
Investment mindset	Outperform index	Absolute return	Absolute return
Engagement	Negligible	Medium/High	Medium/High
Typical cash balance	0-5%	8-12%	n/a

Odyssean Investment Trust - key company facts



NAV	£138m ¹
Shares in issue	89,257,211 ¹ (1.275m new shares issued in June 2021)
Domicile	UK Full listing, London Stock Exchange
Board	Fully independent. Owns c.1% of issued share capital. Will use all fees, post tax, to buy shares
AIFM	Internally managed, small registered UK AIFM. Portfolio Management delegated to Odyssean Capital
Discount control/realisation opportunity	Opportunity for shareholders to rollover or realise all of their investment at NAV less costs, every 7 th year post IPO (May 2018) 50% of profit from takeovers to be used to buy back shares if the average discount exceeds 5% for 60 days prior to exit
Gearing	No structural gearing envisaged. Ability to gear up to 10% for short term liquidity purposes. Net cash balances likely to be maintained to enable agile purchases of blocks of stock
Fees	Management fee lower of 1.0% of net assets/market capitalisation. Performance fee 10% of NAV TR outperformance vs (comparator index +1% p.a.) on a rolling three year basis with a high water mark. 50% of performance fees paid in shares/used to buy shares if at a discount
Comparator index	Numis Smaller Companies ex Investment Trusts plus AIM index
Ticker	OIT
ISIN	GB00BFFK7H57

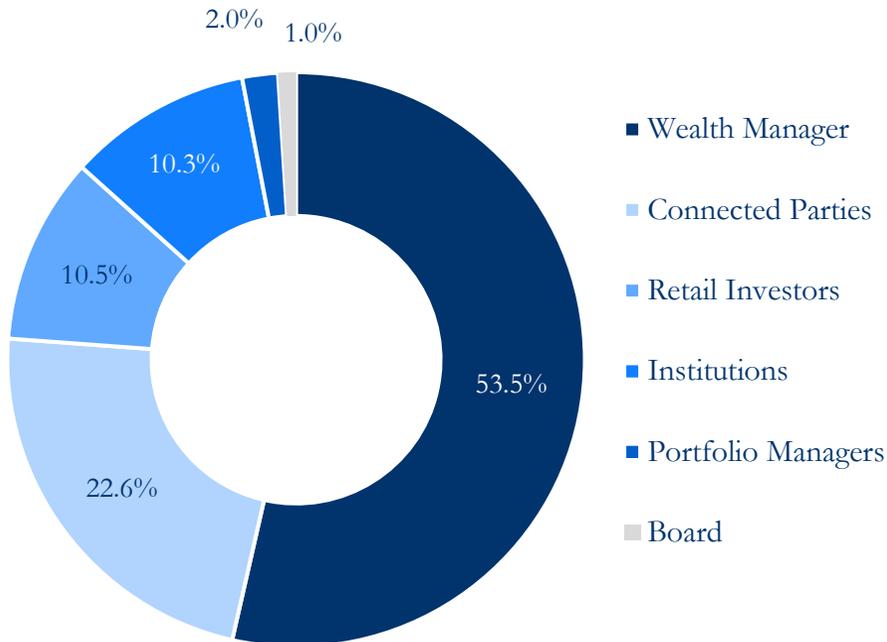
¹As at 30th June 2021

OIT shareholder base

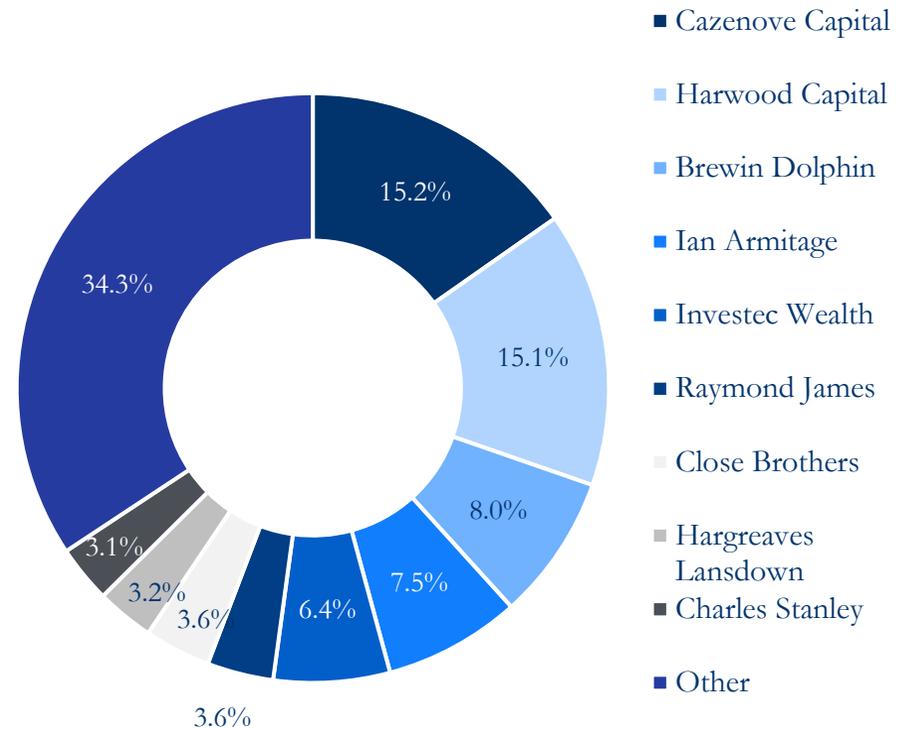
As at 30th June 2021¹



Shareholder base by investor type



Disclosable shareholders



Source: ¹ Equiniti as at 30th June 2021, Odyssean Capital LLP. Figures may not add up to 100% due to rounding



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