



Odyssean Investment Trust PLC

Q3 2020 Update

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Executive Summary – Q3 2020



NAV growth c.5% over the period

- NAV growth c.5% in the period as markets rose through the summer
 - NAV Total Return per share +4.7%^{1,2} in the period, slightly behind the NSCI +AIM ex IC index (“Comparator”) rise of 7.7%^{2,3}
 - Net cash averaged 7% over the quarter, ending at c.9%
 - Larger AIM stocks materially outperformed over the quarter. FTSE Mid Cap and Small Cap ex IT indices were flat
 - YTD NAV Total Return per share of -7.7%, vs Comparator decline of -13.6%
- NAV Total Return per share since inception +8.4%^{1,2}, with average net cash 28%. Comparator index has delivered -10.3%^{2,3}
- Portfolio
 - Broadly trading well with updates to date largely more positive than initial views from March
 - No portfolio companies have required a capital raise
 - Two new holdings initiated during the quarter – a mid weight (Euromoney) and a small weight
- FTSE AIM Indices are trading at c.90% premium to FTSE Small Cap Index⁴. Premium is 130%⁴ ex resources and financials
 - We believe that many AIM companies are trading at significant premia to their intrinsic value, whereas we are finding numerous full list smaller companies which appear undervalued, some significantly so. Only 22% of the portfolio is in AIM stocks
- COVID outlook, Brexit and US elections likely to continue to drive further significant uncertainty through the rest of the year
- OIT’s shares ended the period trading at c.7% discount to NAV of 106.6p

Performance update

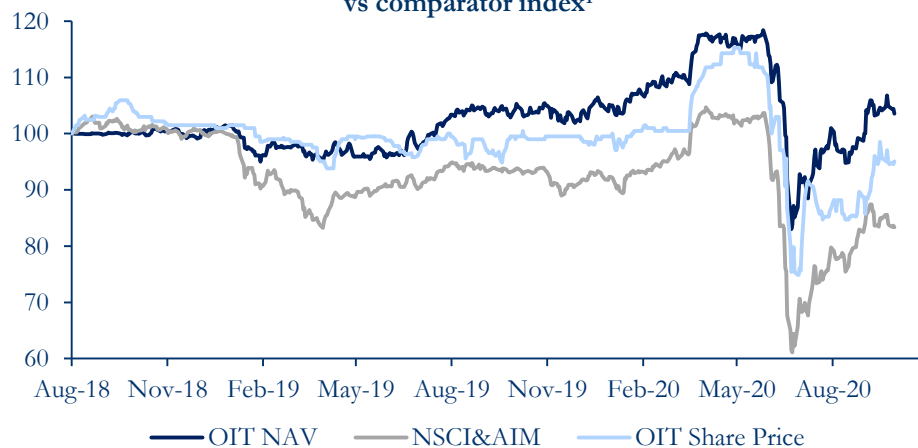


NAV growth c.4.7% in quarter. Rolling 12m relative performance >+6%

Performance	%			
	Q3-20	FY20 YTD	LTM	Since inception
NAV Total Return Per Share ¹	+4.7%	-7.7%	+3.3%	+8.4%
Share price return ³	+3.1%	-11.9%	-1.5%	-0.5%
NSCI + AIM ex IC Total Return ³	+7.7%	-13.6%	-2.8%	-10.3%
Average cash balance ²	7%	10%	9%	28%

- NAV per share rose 4.7% in quarter, slightly lagging a market that rose through the traditionally quiet summer months
 - Outperformance YTD and over the last twelve months remains robust
 - Reasonable short-term volatility in performance of NAV vs wider markets (and Comparator) over the quarter, reflecting the concentrated, differentiated portfolio. This is unsurprising and a characteristic of our investment approach
 - Our focus tends to be on performance since inception and over last 12/36 months

Rebased NAV per share and share price vs comparator index¹



- NAV growth since inception of more than 8% compared with a fall in the comparator index of 10%
- Shares traded at a c.6.7% discount to NAV at period end

As at 30th September 2020. 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 ²Link Asset Services, Odyssean Capital ³Bloomberg. 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 Q3

Key stock contributors



Largest positive contributors

SDL*

- Bid approach from RWS plc in late August followed a strong H1 trading update
- Significant cost synergies from a combination (our view materially above those disclosed by management), with further potential through greater leverage of SDL's leading technology assets

ELEMENTIS

- H1 results delivered ahead of market expectations
- September announcement of a relaxation of banking covenants and an expectation of "significant reduction in net debt in H2" drove strong performance in shares

 **DEVRO**

- Solid H1 results were driven by ongoing cost saving actions and slight volume growth (strong growth in emerging markets offsetting weakness in mature markets), with strong cash generation allowed re-instatement of dividends
- Shares reacted positively to this news

Largest negative contributors

EQUINITI

- A continuation of challenges seen in the prior quarter weighed on shares. Interest income is impacted by the COVID induced fall in rates and revenue from dividend processing and corporate actions are also down
- We see ongoing headwinds from these areas through the mid term. The position is close to being exited, with the proceeds re-invested elsewhere

CLINIGEN
GROUP PLC

- Full year trading was in-line with expectations, but shares were weak with the group flagging risk of generic competition in a key product area, and risk of COVID slowdown in end markets going forward
- We continue to see the rating as undemanding. Strong cash generation and covenant relaxation have reduced leverage concerns. New wins and material medium term prospects from the recently acquired Proleukin product are supportive for our thesis

 **volution**
group

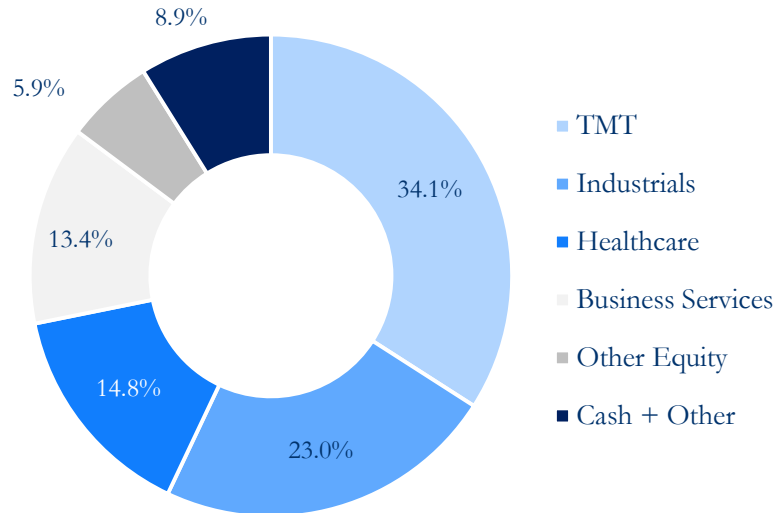
- A full year trading update early in the period was in-line with expectations and showed the impact of COVID on end markets, but also the benefits of the geographic diversity of the group
- It was unclear why shares were weak through the period – we continue to see Volution as a winner in a recovery, well placed to gain share and further deliver on self help actions to drive margins. Demand for ventilation products may be stimulated due to COVID

Portfolio update

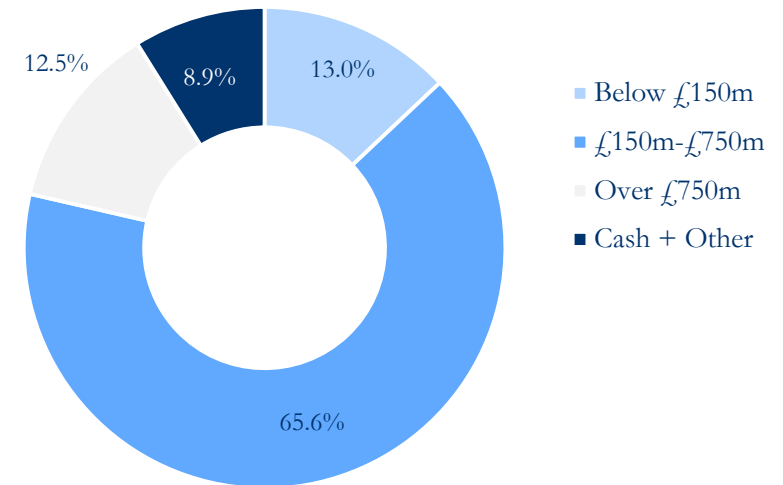
Focused on our core sectors and core market cap range



Holding by sector ¹



Holding by market cap ¹

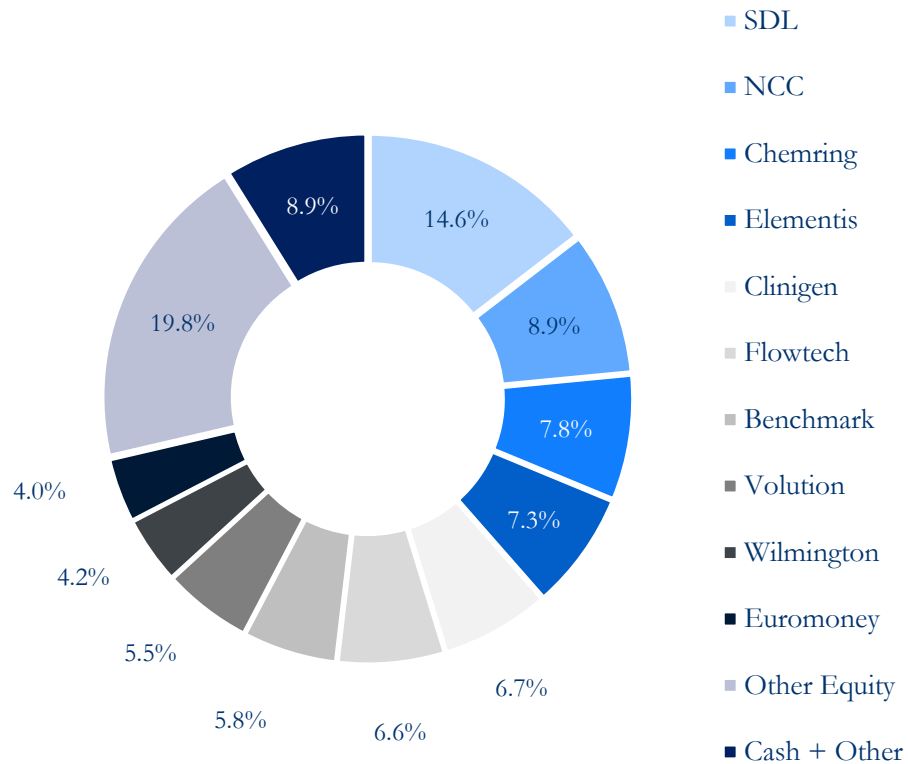


- Exposure weighted towards ‘core focus’ sectors – TMT, Industrials, Business Services and Healthcare

- 72% of invested exposure in core target market cap range of £150m-£750m
- Holdings outside of core range are either specific, compelling opportunities, or investments which have moved out of core range since initial investment



Top portfolio holdings¹

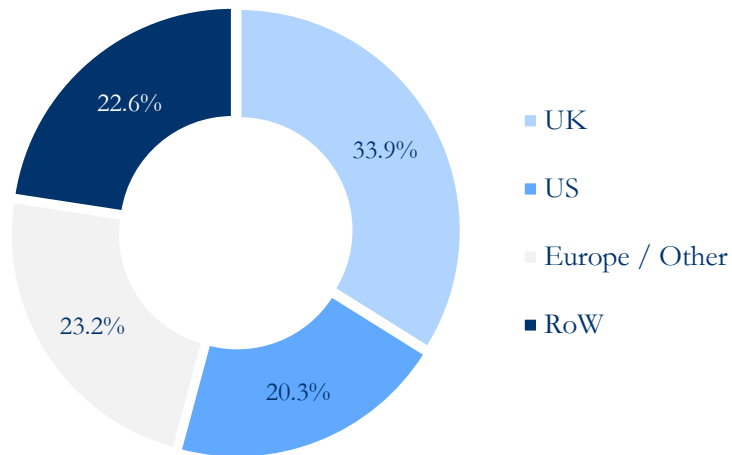


- Top 10 holdings account for 71% of NAV
- SDL weighting boosted by take over approach in August
- Three of top ten holdings added since 30th March 2020

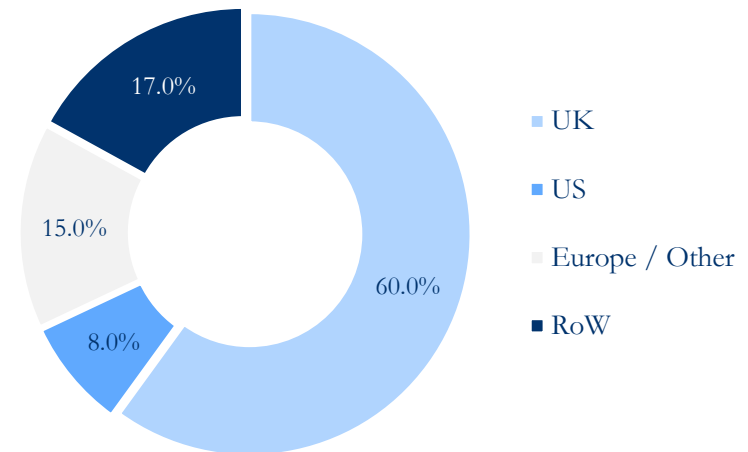


Portfolio has higher proportion of international earnings than the FTSE Small Cap

Revenue exposure of portfolio²
(NAV weighted exc. cash)



Revenue exposure of FTSE Small Cap Index³
(% sales)



- Investing in UK smaller companies does not have to mean investing in the UK economy
- OIT's portfolio overweight North American and underweight UK vs FTSE Small Cap – i.e. ceteris paribus beneficiary of a strong US\$

Portfolio positioning and evolution



- Three key themes remain consistent:
 - Seek niche market leaders
 - Self help
 - Long term preference for structural growth plays, whilst opportunistically looking at cyclicals when end markets are depressed
- Negligible exposure to:
 - Discretionary UK consumer (retail/leisure) “bounce back” situations
 - Healthcare stocks benefitting from temporary supernormal profits from COVID (e.g. diagnostics companies)
- Eschewing high quality, “safe”, very highly rated AIM growth stocks
- Current focus on investment themes where shorter term end sales demand has been depressed, but is likely to return to 2019 levels within 24-48 months, where there is self-help, and where share prices assume no/limited improvement:
 - B2B services
 - B2B media
 - Specialist industrials
 - Healthcare services
- Limited supply of “special situations” at reasonable valuations in the tech sector

Portfolio development over the period

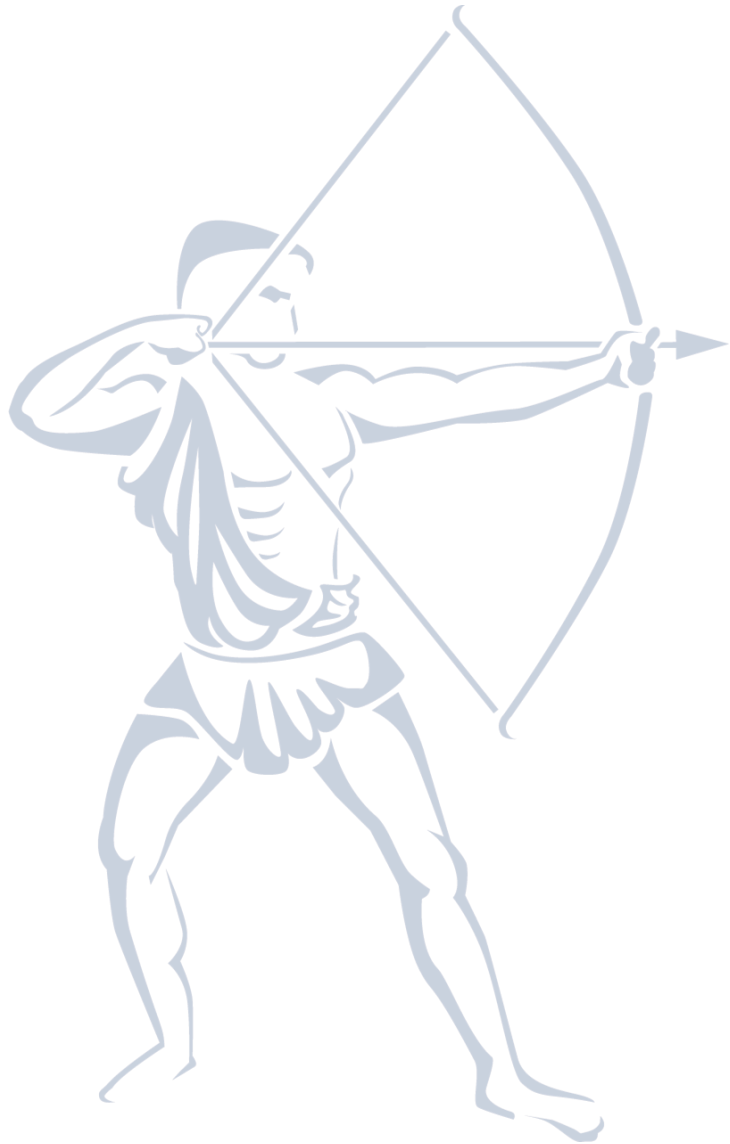


- Portfolio companies are broadly trading well
- Many have given updates ahead of expectations from earlier in the pandemic, with some evidence of demand returning
 - Still too soon to be confident that recovery will be sustained, or whether it is due to flattered by supply chain restocking
 - Pleasingly, no portfolio companies have had to raise equity to strengthen balance sheets and we continue to not expect any future such raises
- One toe-hold position and one mid weight position (Euromoney) initiated in Q3
- Six new positions in 2020 to date, accounting for 26% of portfolio by value at end September
 - Higher than average portfolio turnover, taking advantage of market volatility and valuation anomalies exacerbated by the COVID crisis
 - Three top 10 holdings added since 30 March 2020 – Elementis, Clinigen, Euromoney – different equity story for each
 - New holdings are cash generative niche market leaders and offer compelling valuations over the medium to long term (absolute and Sum of Parts)
- Closing net cash position in September 2020 of c.9%

Portfolio company voting record over Q3



		Comment
Number of meetings	0	No portfolio companies with meetings scheduled through the quiet summer quarter
Number of resolutions	0	
Number voted	0	
Voted with management	0	
Voted against management	0	



Outlook & Data

Outlook



As the dust continues to settle, we see good medium and long term prospects for NAV growth

Overall market conditions

- Many equity markets, including UK smaller companies, are seeing extreme valuation polarisation between high growth stocks and non-high growth stocks. Commentators have remarked that this polarisation is close to extreme levels
- More UK companies are likely to raise equity to repair their balance sheets. These are likely to be more keenly priced than those in H1 2020

Opportunities & reasons to be positive

- UK equity market, excluding high growth companies, remains unloved
- Early signs of corporate M&A returning. PE funds have significant firepower
- Supply of “double upside” recovery stocks which have additional self-help potential

Risks & reasons to be cautious

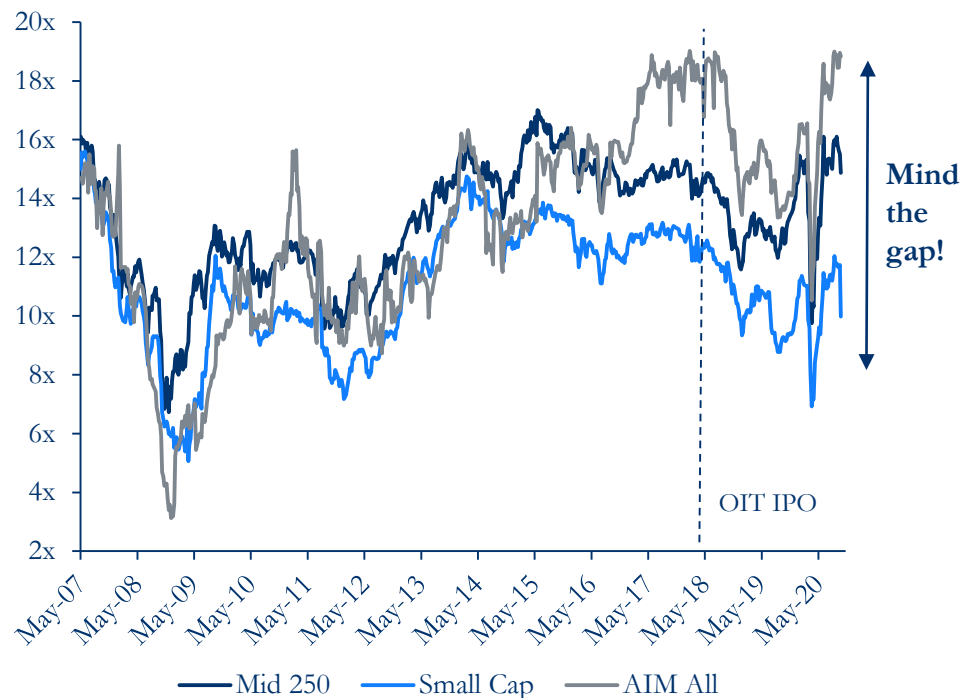
- A second COVID spike is underway, albeit the prospect of another material nationwide lockdown is low
- Brexit uncertainty continues. Some deal is likely. Impact on portfolio company operations is likely to be modest
- Equity markets, especially highly rated growth stocks are dependent on monetary policy remaining extremely benign

AIM rating is currently 89% premium to FTSE Small Cap

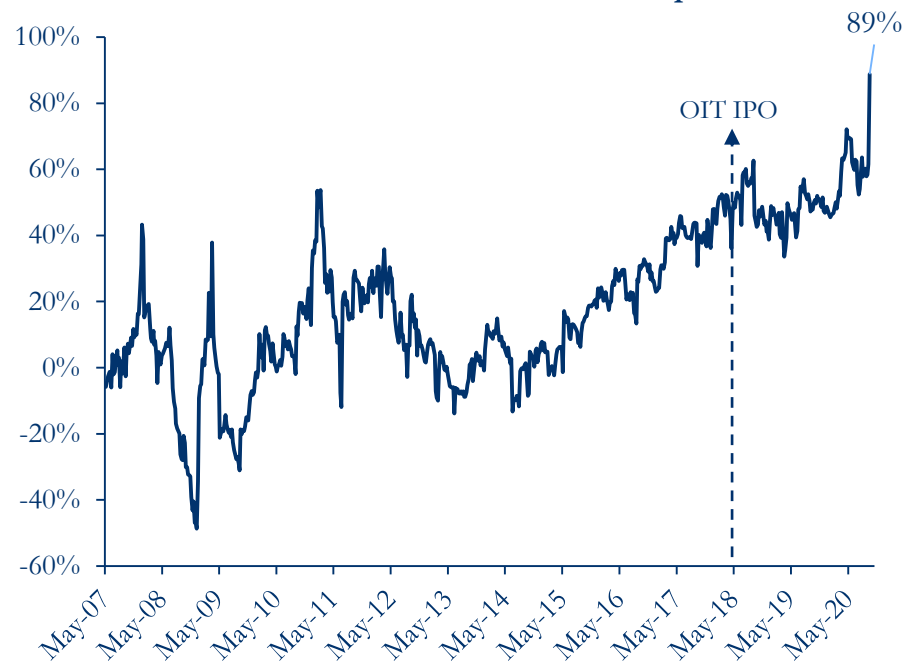
c.22% of portfolio in AIM. We avoid “business relief favourites”



Forward NTM p/e multiple by FTSE Index¹



FTSE AIM Premium to FTSE Small Cap Index¹



Average ex resources and financials²

	FY 20 p/e	eps growth FY20-21
FTSE Small Cap	11.8x	20.1%
FTSE AIM	28.3x	25.3%

Median²

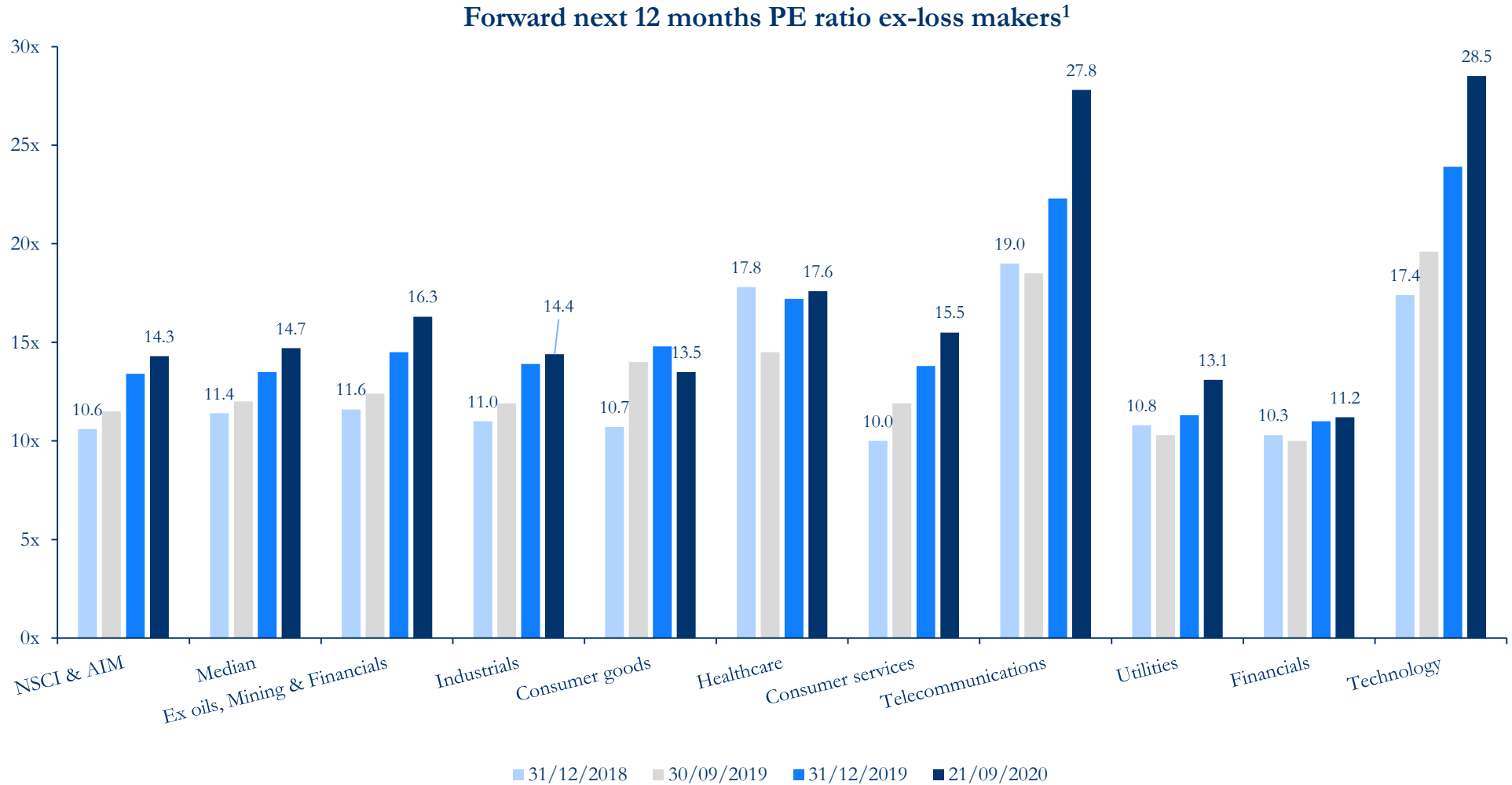
	FY 20 p/e	eps growth FY20-21
FTSE Small Cap	13.3x	20.1%
FTSE AIM	20.2x	18.9%

¹As at 28th September 2020. Source Peel Hunt. Only includes positive earning companies

NSCI + AIM ex IT sector ratings



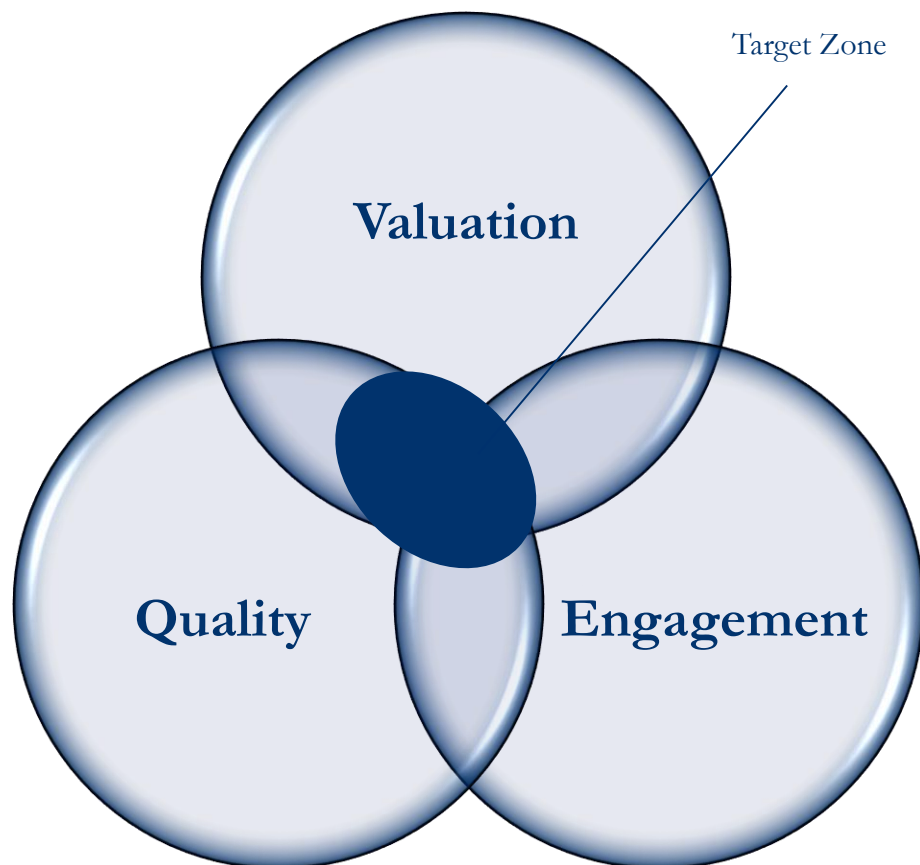
64% re-rating of the Technology sector since end 2018



Source: Peel Hunt as at 31st December 2018, 30th September 2019, 30th December 2019 and 21 September 2020

Investment strategy

Based on 3 pillars: Valuation, Quality and Engagement



Valuation

- Invest at a significant discount to owners valuation
- Look for businesses with multiple drivers of equity value growth
- “Make money”

Quality

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

Engagement

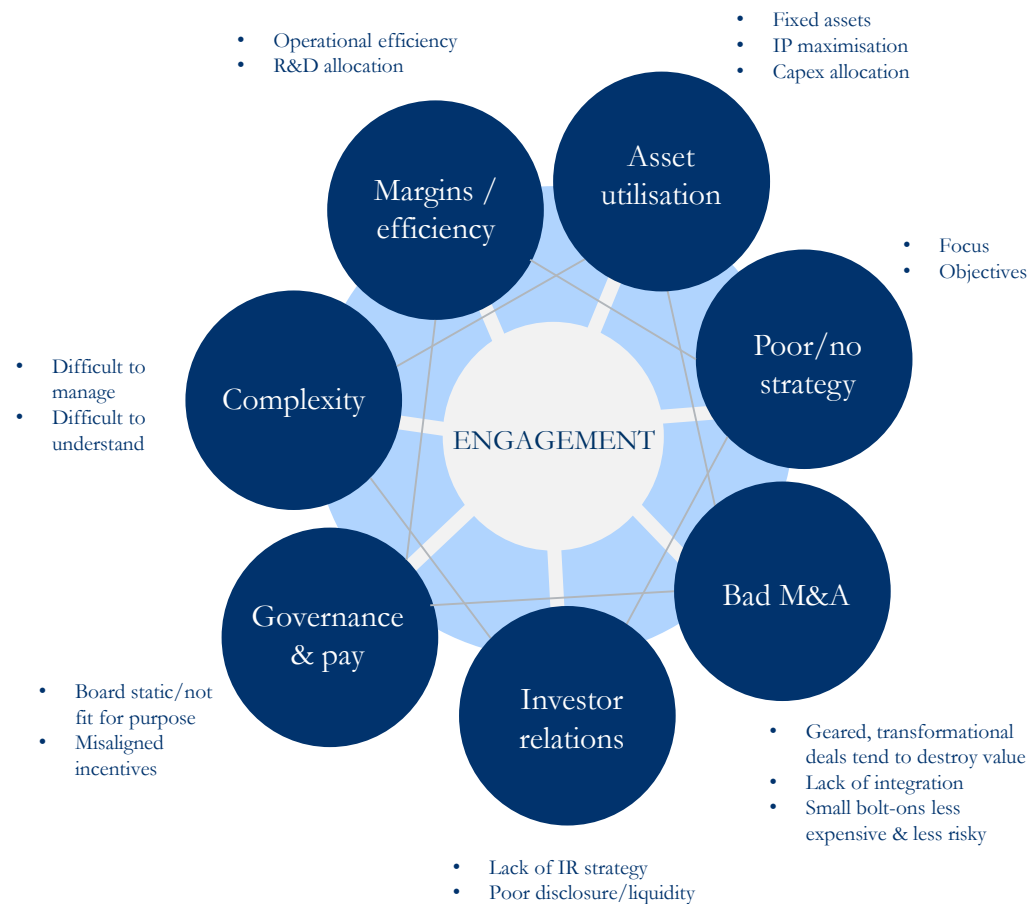
- Seek out “self-help” situations
- Integrated
- Proactive not reactive
- Tend to engage anyway as a Top 5 shareholder

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
- Historic focus on governance/financial performance/IR. Plan to extend this to environmental and social issues where appropriate
- Scope for engagement and plan is identified prior to investment
- Our principles
 - Not “messianic” – first objective is to make money
 - We do not invest using negative screens
 - Aim to see companies improve during our period of ownership
 - Engage in private, with other stakeholders
 - Aim for “win-win”



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

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

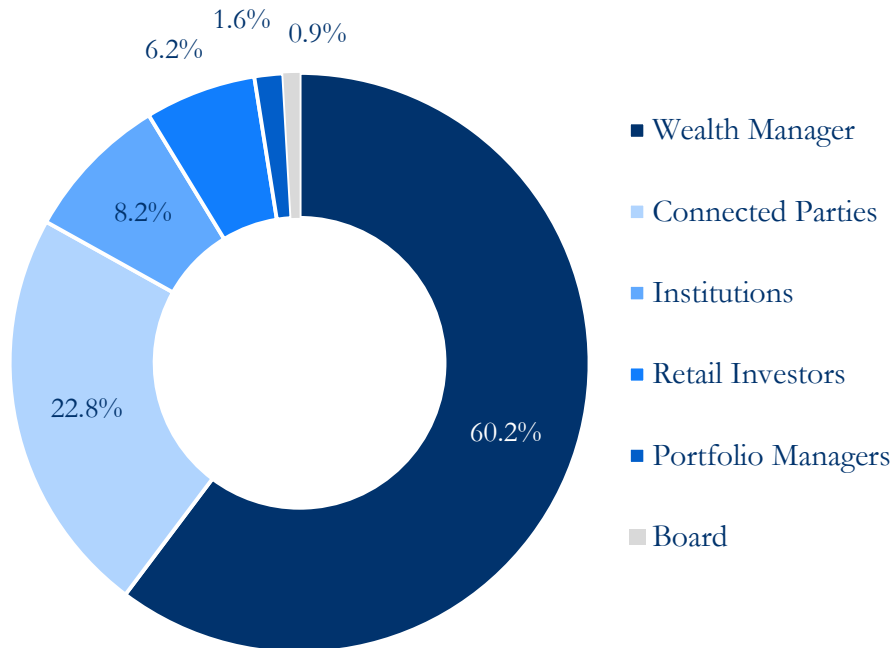


NAV	£94m
Shares in issue	87,982,211
Domicile	UK Full listing, London Stock Exchange
Board	Fully independent. Owns c.1% of issued share capital. Will use all fees, post tax, to buy shares
AIFM	Internally managed small scope UK registered AIFM. Portfolio Management delegated to Odyssean Capital
Discount 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 ¹
Ticker	OIT
ISIN	GB00BFFK7H57

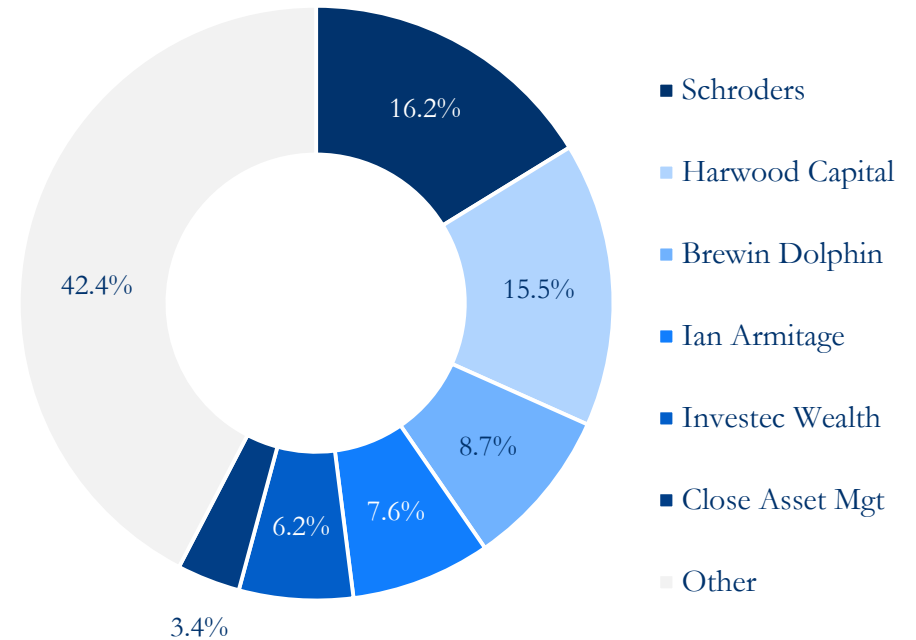
OIT shareholder base



Shareholder base by investor type
(as at 30th June 2020)¹



Disclosable shareholders
(as at 30th June 2020)¹



Source: ¹ Equiniti as at 30th June 2020, Odyssean Capital LLP



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