

FUND MANAGER PROFILE

Crispin Odey has a reputation as a high quality and high conviction fund manager, with a long term proven performance track record. However, because of his firm's primary focus on the institutional and very wealthy client sectors, he is less well known in the broader private investor marketplace. This piece seeks to provide some background on Crispin's philosophy and process in his management of the recently-launched INSYNERGY Odey Fund – which is only available via AXA Winterthur.

Crispin Odey is one of the few leading lights in the City who genuinely qualify as a 'grandee'

Business big shot: Crispin Odey
Times Online, August 2008

Crispin established Odey Asset Management (OAM) in 1991 and today heads Investment Management for the firm. OAM was launched to focus on active fund management at a time when the industry was becoming increasingly obsessed by performing against investment indices and peer groups – a trend that remains in place. A key problem with managing funds against a benchmark is that it can all too easily replace original research and rigorous analysis, the very things that Crispin believes should drive the investment process.

Although OAM has grown significantly since its launch (perhaps most notably in building a team of sixteen dedicated analysts to support the fund managers) the fundamental beliefs remain – the firm is driven by performance and Managers build portfolios from first principles using judgment and primary research to set asset allocation, to understand industrial cycles and to select stocks.

"To be a successful long term investor you must think like an owner – know when to take risk and when to preserve capital." Crispin Odey



Crispin Odey – Chief Investment Officer, Odey Asset Management

Crispin Odey left Barings to continue his focus on active fund management by establishing his own company – in 1991. Odey Asset Management was originally hedge fund focused, running 'long-only assets' from 1997. Today the company is one of Europe's most respected investment houses. Prior to founding Odey, Crispin managed the European Growth Trust at Baring Asset Management and the Continental European pension fund at Framlington Fund Managers. He graduated from Christ Church, Oxford in 1980 where he read history & economics.

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Investment Philosophy – a free thinking, contrarian approach

Crispin thinks differently from many other managers, managing money as if it was his own. His style is simple, rather than focusing on relative performance against an index, competitive funds or a benchmark, Crispin operates with an 'unconstrained mindset' which give him a clear focus on generating risk-adjusted returns with the aim of seeking both to grow and to preserve capital.

This will mean that if he doesn't like a stock, a sector or a country he won't invest in it. That may sound obvious, but it's actually not the case with many investment funds. The majority of funds will manage their portfolios against a benchmark index – or sometimes will measure themselves against their peers. So if a stock is a large part of the index, chances are that the manager will hold some of that stock, even if he doesn't rate its investment credentials, just to minimise his risk of underperforming the index or the competition. While this may ensure that that particular fund stays close to the fund management 'herd' this can lose sight of the key reasons for investing.

Crispin is similarly free thinking in his investment style. You may hear managers describe themselves as 'growth' or 'value' but Crispin aims to pick the right style for the specific time.

"see risk and opportunity through the eyes of the industrialist..."

He has an industrialist's approach to investing – looking for out-of-favour but fundamentally strong companies where he shares a vision for recovery with company management and where the market as a whole has not yet understood that recovery opportunity. He invests with conviction and seeks to benefit both from improving fundamentals – (e.g. the company is able to grow its profits, its margins or its market share) and/or improving sentiment (i.e. the rest of the industry begins to notice the positive changes at the company).

Selecting from a wide pool of ideas

Investment opportunities are selected using two related but distinct processes: a 'top down' macroeconomic evaluation and 'bottom up' stock specific analysis. The macroeconomic evaluation considers a view of the future economic and political environment (which in Odey's case can be significantly at odds with the consensus view) and considers the potential effects of these on equity investments.

The stock specific analysis will tend to focus on identifying companies which clearly demonstrate good value (e.g. where sales are a high percentage of their total worth, or where the share price is a relatively low percentage of the company's total assets).

To mitigate the risk of selecting companies with similar characteristics, the portfolio is made up of a variety of these opportunities – each with a different profile, catalyst for change and probable outcome. The level of investment in each stock will be actively resized in accordance the prevailing macro economic view – seeking to exploit market volatility and to provide a level of downside protection. Typically the portfolio will contain 50-100 companies, which broadly follow 5-10 prevailing themes.

"This simple approach has served me well for twenty five years. I have found that whatever the economic conditions there are always corners of the market in the shade where a change at the enterprise or sector level can return a sector to favour and generate strong returns for investors."