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Crispin Odey's Unconstrained Approach to Hedge Funds

The hedge fund manager has built a leading U.K. firm with conviction bets across multiple markets. His investors know how costly that can be.

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Crispin Odey was never big on China. The eponymous founder and CIO of $12.8 billion, London-based hedge fund firm Odey Asset Management visited the mainland in 2013 and didn't enjoy the experience. The jet lag was a killer, the trip felt like an endless series of meetings, and, most important, he didn't see anything he wanted to invest in. In the spring of 2014, however, China began to dominate Odey's thinking thanks to research published by Diana Choyleva, chief economist at Lombard Street Research in London.

Rapidly rising wages and the appreciation of the yuan meant that China's labor costs were outstripping its productivity, increasing by about 21 percent in dollar terms since the end of 2007, Choyleva asserted. In response to slower growth, Beijing had flooded the economy with debt, but as the country was growing less competitive as an exporter, that debt burden was becoming more dangerous. The economist estimated that the yuan was overvalued by as much as 10 to 15 percent.

Odey had little direct exposure to China, but Choyleva's work strengthened his bearish convictions, particularly about Europe. A hard landing in China would cascade through the emerging markets and make it all the more difficult for the European Union to resolve its debt problems and restore growth, leaving the U.S. as the last man standing in the global economy. In June 2014 he repositioned the investment portfolio of his $2.9 billion flagship Odey European Fund, becoming net short European equities and ramping up a big long position in the U.S. dollar. He was also short the Australian dollar, a proxy for Chinese growth and a reflection of his prognosis for the Australian economy.

Explaining his rationale in an apocalyptic letter to investors in December, Odey wrote, "we have used all our monetary firepower to avoid the first downturn in 2007–09, so we are really at a dangerous point to try and counter the effects of a slowing China, falling commodities and EM incomes." If economic activity falters, he added, "then there will be a painful round of debt defaults." The downturn, he warned, was in its infancy: "It is too early to see what will happen — a change of this magnitude means the darkness and the mist is very great."

Little did Odey's investors know how prophetic he was being. After a modest start to the year, the investor was caught off guard this spring when weak U.S. economic indicators caused the dollar to decline and European stocks rallied in response to stronger-than-expected data. The Odey European Fund lost a staggering 19.6 percent in April, leaving it down more than 18 percent for the first four months of the year.

Odey was not alone. Most hedge funds have struggled to generate noteworthy returns recently as quantitative easing by major central banks has buoyed markets; many hedge fund managers began this year believing the dollar was the place to be, only to suffer when the greenback wilted. Yet Odey's losses were outsize by any measure. They evoked memories of a misstep two decades ago, when a bearish Odey loaded up on bonds in anticipation of a deflationary cycle but instead saw U.S. interest rates spike and bond prices crash, nearly taking down his firm in the process.

For many other managers a one-month drawdown like April's — the worst in Odey's nearly 25-year hedge fund career — would spell disaster. But the colorful and opinionated investor has shown a remarkable ability to adjust and bounce back. A student of history and economics, he knows the truth behind the saying often attributed to economist John Maynard Keynes: "The market can remain irrational longer than you can remain solvent." Although Odey still harbors deep misgivings about the global economy, he tapered his positions in late April and acknowledges that quantitative easing by the European Central Bank is gaining more traction than he anticipated.

"April is a classic example of when it's all looking like it's happening and suddenly — bang — the market says, 'No, it's not going to be now; QE is going to save the day,'" he tells *Institutional Investor*. "I get routed for a little while. You have to cut your losses" and regroup.

A European equity fund taking big positions in currencies and making a bold prognosis for China's economic outlook is unusual, but Odey is no ordinary hedge fund manager. Although he started out as a long-only equity manager, he has insisted on investing in any market that makes sense to him, modeling his style on that of his initial backer, George Soros. He also has a history of making — and mostly winning — bold bets. As one investor puts it, "Crispin does what other fund managers think but are afraid to do." Crucially, Odey has a loyal client base — much of it high-net-worth individuals rather than institutional money — that understands his strategy and respects his investment acumen.

Those investors have been rewarded over the long haul by Odey's formula. Even after the April losses, his hedge fund firm, one of the oldest in London, has delivered annualized returns of 12.51 percent since inception in 1992. Although he now has suffered 20 percent losses on three occasions in his career, Odey has navigated some of the toughest market tests with aplomb, performing strongly through the tech boom and bust in the late 1990s and early 2000s and excelling during the global financial crisis: His European fund returned 130 percent over the course of 2007 and 2008.

Statistically, most hedge funds have their best returns in their first three years of existence. Odey is the rare manager who has mostly gotten better over time. Yet his performance has always been volatile, something he makes no bones about. “I make money very quickly in surprising moments,” he says. “I am also quite good at losing money.”

The statement is typical Odey — at once brash and self-deprecating, in the manner of someone confident in his beliefs and comfortable in his skin. An English iconoclast, steeped in tradition yet skeptical of authority, he has a network of friends and contacts that is second to none. He also occupies an influential position on the political spectrum. A devotee of former prime minister Margaret Thatcher, Odey has been critical of today’s Conservative Party leader, newly reelected Prime Minister David Cameron. He wants Britain to steer a much more independent course from the European Union and has given money to the U.K. Independence Party, which advocates British withdrawal from the EU. As the U.K. approaches a referendum on EU membership in the next two years, Odey will be a key player to watch.

Odey Asset Management is more than just the man. The firm is still in the same offices where it started — an early-Georgian town house on Upper Grosvenor Street, just down the road from the American Embassy — but the staff has grown to 113 people, including investment, risk management and research teams. The firm offers a number of different funds, run by a variety of portfolio managers, most notably co-head of research James Hanbury, who runs more than $2 billion, as well as Tim Bond, Feras Al-Chalabi, Michele Ragazzi and Massey Roborough. Hanbury and Bond have been posting strong returns and have their own strong investor bases.

Odey and chief executive David Fletcher, who joined the firm in 1995 and is responsible for managing and building the business, have been careful to cultivate a diverse group of investors who understand what they are getting when they invest with the CIO. “You can’t be a contrarian unless you have a client base,” Fletcher says. “We really like clients rather than tickets.”

Yet despite its growth, the firm remains subject to the whims of its founder and CIO. Although the outfit long ago outgrew its Mayfair home, Odey refuses to move, necessitating the establishment of a second office around the corner to house back-office and marketing staff. Such a headstrong attitude makes Fletcher’s job more challenging, but it has given the firm its character and edge. As Fletcher puts it, “It’s important to have unreasonable inputs into a business.”

ROBIN CRISPIN WILLIAM ODEY was born on October 12, 1959, in Hotham, a Yorkshire village near the North Sea port of Hull. His grandfather George Odey was a self-made man who rose from private secretary to the chairman to become the head of storied English leather goods manufacturer Barrow, Hepburn & Gale, which produces the iconic red leather briefcases carried by U.K. government ministers. His father, Richard, later worked there as managing director. Odey had a privileged upbringing. He attended Harrow School, an elite boys' boarding school, where his father had once been head boy, a prestigious position akin to class president. At 16 he went up to the University of Oxford, graduating in 1980 with a degree in history and economics from Christ Church college.

He moved to London and with the encouragement of his grandfather trained to become a barrister, but he was quickly pulled in a different direction. His father lost his job over an accounting scandal at a tannery in Scotland and went on to lose money in a series of failed ventures; he survived on handouts from Odey's grandfather that were just enough to keep the creditors at bay. The losses forced Odey to sell the family home and left him with a strong desire to go out and make his own fortune, which to him meant one thing: finance. At the time, he was living with a friend who was a stockbroker in the City of London. "I was just a poor lawyer, and he was a rich stockbroker," Odey recalls. The friend told him, "Crispin, you could do this standing on your head."

That turned out to be the case. With his success Odey has managed to acquire wealth (he took home a little over $22 million in 2013) and a privileged lifestyle far grander than he knew in his youth. He owns a historic 18th-century country estate, Eastbach Court, in the village of English Bicknor (population 408), in the Forest of Dean, near England's border with Wales. There he indulges in the country pursuits he loves, such as bird shooting and fishing. He attracted notoriety in 2014 when he sought planning approval to erect a $250,000 chicken coop — a massive 775-square-foot structure designed like a Greek temple, complete with Ionic columns and a stone pediment, cornice and frieze, which he has since completed and now uses as a library.

Odey started his investment career at a small equity manager in London before quickly moving to Henderson Baring Management, a joint venture between Hong Kong–based Henderson Administration Pacific and London merchant bank Barings.

The 1980s was a formative period for London — and for Odey. The City thrived in the heyday of Thatcherism as the prime minister privatized vast swaths of corporate Britain, liberalized financial markets and welcomed international capital. Odey flourished at Henderson Baring, growing the firm's European Growth Trust to £260 million (then worth $455 million) in 1992 and developing a reputation as a smart stock picker.

Odey's social life was as meteoric as his business career. In 1985 he married Prudence Murdoch, the oldest daughter of Australian publishing magnate Rupert Murdoch, who then was transforming the U.K. media landscape through his ownership of the *Sun* and *Times* newspapers. Two months after the nuptials, Mr. and Mrs. Crispin Odey were featured in a *Times* report as guests of the prince and princess of Wales at the newspaper's bicentennial at Hampton Court Palace; other guests included Thatcher and her husband, Dennis.

Odey's marriage lasted less than two years, but the fund manager has maintained a relationship with his former father-in-law's media empire. One of his frequent equity positions involves Murdoch's European satellite-television business. In 2014, Odey staged an activist campaign in a bid to block the acquisition of Sky Deutschland, Murdoch's minority-controlled German affiliate, by his U.K. company BSkyB; Odey held an 8 percent stake in the German unit. Although Odey did not succeed in blocking the deal, the trade was profitable, and today he is an investor in the consolidated European pay-TV business, Sky.

In 1991, Odey remarried, to Nichola Pease, a member of the wealthy Quaker family that helped found Barclays Bank and managing director of Smith New Court, a major brokerage later acquired by Merrill Lynch & Co.

Odey was growing restless at work, however. In 1989, Barings consolidated its asset management activities into Baring Asset Management. The change meant a loss of freedom for Odey, who chafed under the new regime's moves to adopt a centralized stock screening and selection process. A fine approach, perhaps, but not one suited to a man who likes to call his own tune. Besides, he felt he needed a change. "After 15 years of running long-only money and institutional money, I was getting quite bored," he tells *II*. "Boredom is the only thing you just don't want to have."

A senior Barings executive, Christopher Heath, introduced Odey to Gerard Manolovici. An emerging-markets trader for George Soros, Manolovici was described in a 1994 *Institutional Investor* article as "a shadowy figure once known on Wall Street as the Prince of Darkness for his secretive style." Manolovici, in turn, introduced Odey to Soros and the Hungarian-born speculator's lieutenant Stanley Druckenmiller, who also had his own fund. For the aristocratic Brit the introduction was a revelation. It was, he says, "amazing to come up against these people. Essentially, the only thing that mattered was how much money you made for them."

Soros invested only in hedge funds, and Odey had only been a long equity manager, so something had to change. Odey did: In 1992 he set up his own firm, Odey Asset Management, and launched his European long-short fund with money from Soros and Global Asset Management, now GAM (a firm backed by another of Europe's great banking families, the Rothschilds).

The question of Europe's future loomed large at the time, splitting U.K. Conservatives and roiling markets. Thatcher was a notorious eurosceptic, warning in a memorable 1988 speech against "a European superstate exercising a new dominance from Brussels." Two years later she was deposed in a rebellion led by pro-EU figures inside the party, and succeeded by John Major. He signed the historic Maastricht Treaty on European Union in 1992 only after negotiating an opt-out for the U.K. from the treaty's centerpiece, the single currency. But Major had continued to peg the pound's value to the deutsche mark, a policy Thatcher had adopted in her waning days in a bid to bring down inflation.

Odey's fund did well initially, launching in June and ending the year up 12.5 percent. Soros did far better, though. With U.K. inflation relatively high and fears mounting that French voters would reject the Maastricht Treaty, speculators, led by the U.S. hedge fund investors, bet that currency instability would erupt and force the U.K. to abandon the pound's deutsche mark link. On September 16, 1992 — a day known in Britain as Black Wednesday — the U.K.

was forced to pull out of the EU's exchange rate mechanism and let the pound depreciate. By shorting the pound, Soros made more than $1 billion and became known as "the man who broke the Bank of England."

Such was Soros' notoriety that continuing to operate in London was problematic. Wanting to remain present but not wanting that fact to be widely known, Soros worked out of Odey's offices.

Odey remembers talking to Druckenmiller during this period. The Briton was very proud of how his fund had done, saying, "I thought I'd hit the lights out." But Druckenmiller's fund was up more than 60 percent. Odey's lesson: diversify. He says he realized that Druckenmiller "had four buckets; I had one." In addition to doing long-short equity trading, Druckenmiller was investing in currencies, commodities and bonds. Ever since that day, Odey says, "I always want to have the freedom of those four buckets."

This decision means that Odey occupies a space somewhere between a traditional long-short equity fund manager and a macro manager. And industry insiders acknowledge that this can put off institutional investors that want hedge fund managers to pursue distinct investing styles.

ODEY'S BOLD STRATEGY would soon bite him. In 1993, convinced that the global economy was entering a deflationary slowdown, he began to buy European government bonds, which stood to benefit. Instead, the U.S. economy heated up and the Federal Reserve began raising rates in the spring of 1994, prompting other central banks to follow. Odey stuck to his guns and found himself fighting the Fed. The result was painful. Between January 1994 and July 1995, Odey European lost a breathtaking 50.64 percent. Only about a dozen hedge funds in a directory produced by HSBC Holdings, a universe of more than 400 funds, have posted bigger losses and continue to operate today. The result for Odey was devastating. As investors fled, assets sank from a high of $950 million to some $230 million by 1995.

Today he describes the 1994 experience as a very lonely time. His firm was small, he had little in the way of support or infrastructure, and most of his investors were gone. (Soros stayed in the fund until 1997 and has returned as an

Odey investor over the years.) The road back was difficult. Odey was determined not to change his style of combining bottom-up stock picking with macro investing. He realized he needed a bigger team and better risk management.

Humbled, Odey regrouped. One of his first moves was to hire Fletcher. The two had studied at Oxford at the same time but did not know each other. Fletcher had risen to become CEO of Leopold Joseph, a U.K.-based merchant bank, when friends introduced him and Odey. As Fletcher describes it, the relationship got off to "a bumpy start. He thought I was a bureaucrat," and Fletcher thought Odey was "a bit wild." But over time they built up trust in each other. Acting as the superego to Odey's id, Fletcher took on the role of responsible business manager and developed the firm's risk management controls and back-office resources. He and Odey also began to build a research team — which today numbers 20 people and plays a critical role in generating investment ideas — and to attract a small stable of portfolio managers. "I'm always half finishing or starting a bridge across a river, and Crispin is always running across the crocodile heads," Fletcher says.

Of the portfolio managers who came in after 1994, Hugh Hendry turned out to be the most high profile. Odey hired him in 1999 after a chance meeting. The Glasgow-born son of a truck driver, Hendry was the first in his family to attend college, graduating from Scotland's University of Strathclyde, where he studied finance and economics. Although his background was much more modest than Odey's, he shared the founder's opinionated, high-conviction nature.

Odey Asset Management 2.0 was a success. Unlike many of the big-name long-short equity and macro hedge funds of the 1990s, most notably Tiger Management Corp.'s Julian Robertson Jr., Odey did not flame out during the dot-com rally of the late 1990s. His European fund was up 53.9 percent in 1996, 51.8 percent in 1997 and 26.3 percent in 1998. Although 1999 was a lean year — the European fund was up only 5.9 percent while the MSCI World Index surged 45 percent — Odey posted an 18.7 percent gain in 2000, when the MSCI World lost 7.1 percent. The following two years were even better: Odey European returned 6.3 percent in 2001 and 12.9 percent in 2002 while the MSCI World posted declines of 12.1 percent and 32.2 percent, respectively. The firm's assets took a hit in 2005 when Hendry left, purchasing his Eclectica Fund from Odey's firm and setting up his own shingle as Eclectica Asset Management. But Odey had proved he could profit as both a bull and a bear. And by 2007 he was starting to believe the global economy was in serious trouble.

Early to anticipate the global credit crunch and falling house prices, Odey shorted the stocks of a number of U.K. and Irish banks and building societies. His European fund returned 54.8 percent in 2007 and 10.9 percent in 2008, a year when the MSCI World plunged 38.1 percent and the HFRI Fund Weighted Composite Index lost 19.0 percent. One stock he couldn't short was that of Northern Rock, a Newcastle-based housing lender that was one of the first casualties of the crisis, requiring a bailout by the Bank of England in September 2007 and later nationalization by the government — his wife, Nichola Pease, had a seat on the board.

In the aftermath of the crisis, Odey quickly turned bullish on stocks, seeing them as undervalued. He began buying financial stocks in late 2008, and although his positions initially suffered, he ended 2009 up 33.7 percent. One particularly profitable trade was a stake in Barclays: Fears about the bank's health depressed its share price to a low of 55 pence in early 2009, but the stock rebounded to more than 350 pence in just 15 months.

ODEY'S INVESTING SUCCESS has helped make him very much part of the U.K. establishment. An avid art collector, he has covered the walls of his Upper Grosvenor Street office in museum-quality paintings, including Dutch old masters and works by the pre-Raphaelites, a group of 19th-century English painters. In 2010 he was invited to serve as a trustee to the Portrait Fund of the National Portrait Gallery, an £8.5 million fund to finance acquisitions by the august London art museum, whose collection of paintings and photographs of historical figures is the oldest in the world. (The collection includes photos of his grandfather George, who served as a Conservative member of Parliament from 1947 to 1955.)

Like his namesake, Odey has always been a true-blue Tory. When Thatcher died, in 2013, he was effusive in his praise: "She believed in markets, not in governments," he told Bloomberg News. "She was brave. She stuck to her line." He is no fan of the current prime minister, however, seeing Cameron — and much of the country's political leaders — as petty-minded and obsessed with obtaining power rather than people of strong conviction and principles in the Thatcher mold. Speaking shortly before the May 7 election, Odey said:

“Cameron is a hopeless electioneer. He always has been.”

His political favorite today is Boris Johnson, the flamboyant and outspoken mayor of London and a Conservative member of Parliament. Cameron and Johnson were contemporaries at Eton College, an elite boys’ boarding school, and then at Oxford, but their political rivalry is the dominant subtext of today’s Conservative party politics. Whereas Cameron is controlled and standoffish in public, Johnson is brash, effusive and tough — “a decision maker,” according to Odey. Johnson, in other words, is like Thatcher, or Odey himself, to whom he bears a distinct physical similarity.

Much to the surprise of Odey and the British political establishment, Cameron exceeded expectations in the election, routing the opposition Labour Party and his erstwhile coalition partner, the Liberal Democrats, and winning an outright majority in Parliament. His hold on power seems secure for now, and talk of a leadership challenge by Johnson, which Odey would have welcomed, has faded.

The big political uncertainty in the U.K. revolves around Europe. Cameron campaigned on a promise to hold a referendum on Britain’s continued EU membership by 2017. In late May the new government introduced a draft bill for a referendum while Cameron embarked on a tour of EU capitals to lobby for policy changes — including curbs on benefits to immigrants from EU countries, cuts in the union’s bureaucracy and efforts to promote free-trade agreements — that he insists are necessary to ensure Britain’s continued membership in the group.

Odey makes no secret of his dislike of the EU and its Brussels-based bureaucracy. He shares the Thatcherite view that when the U.K. joined what was then the European Economic Community, back in the 1970s, it regarded the group as a trade bloc rather than what he sees as an ever-intrusive political entity governed by unelected and unanswerable bureaucrats. “I’d quite like to break with Europe,” he says. Whether he will actually campaign for a “no” vote in the referendum, which many financial institutions fear would threaten London’s standing as Europe’s financial capital, remains to be seen.

Odey’s distrust of unelected institutions extends to the dominant influence on financial markets today: central banks. Quantitative easing is “like giving gunpowder to the kings of Tudor England,” he says with characteristic élan.

Europe can’t ease its way out of its economic problems, he asserts. “The only thing going for Europe is that America is obsessed with trying to normalize rates,” he says.

With China suffering from its own economic downturn, Odey sees an increasingly beggar-thy-neighbor world in which countries seek to print and inflate their way out of trouble, fomenting asset bubbles and currency wars. When economies become this speculative, he says, “the bulls and the bears become equally bearish.”

That prognosis appeared prescient in January, when the Swiss National Bank suddenly announced it was abandoning its policy of capping the Swiss franc’s value against the euro. The franc promptly soared in value and Swiss stocks plunged, causing losses at some hedge funds and bank trading desks that had used the franc as a funding currency. Everest Capital, the Miami-based, emerging-markets-focused hedge fund run by Marko Dimitrijevic, was forced to close down its main fund after experiencing massive losses.

Yet Odey himself fell into a currency trap just three months later. Positive on America’s economic outlook, he had taken a big long position in the U.S. dollar while shorting the Australian dollar and European stocks. A series of disappointing U.S. economic reports caused the dollar to weaken against the Australian dollar, whipsawing Odey’s position. The fund also lost money on its emerging-markets short positions; its short on oil, which rallied early this year; and its long play on telecommunications stocks. Odey’s European fund suffered its worst-ever monthly setback, losing 12 percent on its currency position and 7 percent on equities.

Unlike the 1994 bond rout, when losses prompted heavy withdrawals, Odey hasn’t seen investors run for the exits — at least, not yet. But he has moved quickly to stanch the losses. He reduced his overall currency position from close to 300 percent of assets to about 50 percent and cut his U.S. dollar trade from 274 percent at the end of March to 40 percent at the end of April. His

Australian dollar short has gone from 130 percent to 12 percent. Odey still thinks his basic economic outlook is correct, but he acknowledges that timing is key and he got it wrong this time.

Fletcher, who acts as chief risk officer, says the firm has risk management mechanisms in place, including stop-losses and a five-person executive committee consisting of himself, Odey, research co-head Hanbury, COO Tim Pearey and head of business development Orlando Montagu (younger son to the earl of Sandwich). But, he adds, “no committee can tell a manager how to manage money. The fund manager is totally responsible.” Although the risk officer might order a junior portfolio manager to close a position, senior managers have more discretion — and no one is more senior than Odey, the founder and CIO. Fletcher sees his job not as telling Odey what to do but trying first to understand where he is mentally. “If Crispin can articulate what he is doing, or if he is in denial or acting irrationally, that is what I look for,” he says.

Odey’s losses passed an internal stop-loss trigger on April 16 as the value of the dollar fell. At that point, Fletcher checked in with Odey to find out what was going on. “Crispin said, ‘This is what I am doing and why,’” Fletcher says, and he stayed in the trades. Later in the month, however, the losses hit a second trigger. Both Odey and other members of the team, including Fletcher, were traveling. Two days later the executive committee met without Odey, who Fletcher says was “contrite and embarrassed.” After that meeting Odey decided to close out his positions.

The CIO believes such drubbings help him gain a new perspective. He points out that his fund sustained 20 percent losses three times between late 2008 and early 2009.

“I put myself in harm’s way, and it can get pretty nasty, and in the process I have learned a few things,” he says. Odey has changed his perspective on Europe. When ECB president Mario Draghi launched the central bank’s bond-buying program in December, Odey was deeply skeptical, saying the move smacked of hubris. “I worried that it is an experiment you don’t know your way out of,” he says. Now he takes a more positive view. Draghi’s determination to use QE to try to lower unemployment is starting to have an impact. The QE stimulus, in turn, is being reinforced by structural changes, such as employment law reform in Spain and creditor protection improvements in Italy. “Before, I looked at Draghi and thought, ‘You can’t win,’” Odey says. “Now I watch and think, ‘This is really starting to work.’”

The challenge for Odey is to maintain his view and not find himself fighting credit-happy central banks like he fought the Fed in 1994 — because even if he is right in his long-term bearish prognosis, there remains no certainty around timing. This is very different from, say, Soros and Druckenmiller's short of the British pound. According to Michael Rosen, CIO of Santa Monica, California–based investment advisory firm Angeles Investment Advisors, in that scenario Druckenmiller, who had the original idea for the short, realized that the situation was "unsustainable because you've got all these competing factors and you're raising interest rates. It doesn't make sense." The reckoning had to come in a relatively short amount of time. But in today's environment, Rosen notes, "governments can keep things going for a lot longer than the markets imagine."

If Odey is to survive this setback, he will need to turn his performance around. The European fund gained back 5 percent in May. In the meantime, the firm is more dependent than ever on its other funds. Hanbury's Odey Absolute Return, which manages $1.8 billion in assets, was flat on the year through the end of May. Bond's Odey Odyssey Fund, a multi-asset-class fund, was up 10.3 percent through mid-May. In March the firm brought on board a new portfolio manager, Oliver Kelton, who comes with a $1.8 billion portfolio.

Just how different funds inside the House of Odey can be was apparent from the CIO's February 2015 investor letter, which highlighted the differences between his portfolio and Bond's. "We don't want to be him," the letter opened, referring to Bond, "but how lucky you are, you clients of Odey!" The CIO proceeded to lay out the difference between Bond's outlook, bullish and profiting from the European stock market rally, and his own view, bearish and short. "I don't know how Tim would describe his portfolio at the moment," Odey summed up, "but mine is definitely a hot curry" with overpriced equities helping to "spice and spike my returns."

Fletcher says Odey sees his firm rather like chambers of barristers, groups of lawyers who argue cases in British courts: Although they share support staff, each portfolio manager, like each barrister, is responsible for his or her own book of business. Yet it is undeniably still Odey's name on the door, and Odey's larger-than-life personality sets the tone for the firm. According to records filed with the U.S. Securities and Exchange Commission, Odey and his family own 85 percent of the holding company behind the firm; the rest has been distributed as part of the firm's retention and succession plan. Having the main fund languishing below its high-water mark will mean a big drop in performance fees and a hit to revenue for a firm that has more than doubled its head count in the past five years.

One of the most valuable lessons Odey says he learned from Soros and Druckenmiller was that an investor can make money by "sitting in very uncomfortable places." In Soros' case that meant shorting the U.K. pound. "Ultimately," Odey says, "sitting in uncomfortable places is a very profitable business to be in at the right time."

Going against the crowd can be mentally exhausting, though, because one can never be certain when the time is really right. That's one reason there are few truly contrarian investors with long track records. "You got so tired having a different view to the market," Odey says of his early days. You could be "too tired to work out what you were going to do with your different view."

After the 1994 losses, Fletcher points out, Odey could have given up. Instead, "he decided to go for it rather than just run." Having fought so hard for his firm and his fortune, Odey is unlikely to capitulate now. •

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