

Month: +1.3% gross / +1.0% net

Total AUMs: US\$52m

**Lauro is a European Long/Short Equity Fund managing a long-term concentrated portfolio of 20-30 holdings. We believe deep fundamental research focused on ROIC, cashflow generation & attractive asymmetry are key to long-term value creation & maximise the idiosyncratic nature of our returns through our Active engagement with management teams**

## MONTHLY HIGHLIGHTS

**September saw the fund finishing +1.0% on a net basis vs. +3.0% for the MSCI Europe Local index.** What is happening in Europe was somewhat outlined in our May monthly newsletter with Europe being more resilient than the US in down market conditions (May, August) while still generating good performance in an upmarket (+3.0% last month), reflecting the value nature of the region. Key drivers of this outperformance: (a) Re-initiation of QE by the ECB including an open ended bond buyback program; (b) Italy also surprised positively with the 5 Star movement and Democratic party forming a EU-friendly coalition government, leading to the Italian bond yield collapsing to ~80bps (vs. 3.8% in Q318); (c) Boris Johnson encountered hostility vs. his negotiating strategy with Europe, resulting in Parliament ratifying an Extension law in the event of “no deal” & triggering a (short lived) relief rally in UK risk assets – a precursor to what could be a more powerful rally in the event of a Brexit deal. Finally, one salient point to add from our recent trip to Germany meeting with a wide range of companies/industries is the shortage of both skilled and unskilled labour increasingly becoming an issue, very much in contrast with the school of thought of deflationary pressure in the European Union. From Europe to Eu-rip?

**Key contributors/detractors:** The significant rotation from Growth to Value allowed us to generate good alpha given our investment style, further supported by idiosyncratic events like the collapse of Thomas Cook. Indeed, our value stocks – AIBG (+18%), Ryanair (+16%) and Tui (+16% - see more below) generated a combined ~230bps of performance with our small short in Thomas Cook also contributing nicely (25bps). On the other hand, the upmarket conditions led to our Short book floating up (~150bps), most notably through our Global Fund Management and UK Business Services shorts.

**On the trading front,** we used the recent weakness in Ryanair and ISS to add to these positions. We also added to ABInBev post the announcement of the Asian IPO, which we thought clearly highlighted our value case. On the short side, we took some profit on our Global Fund Management position after it fell 20% the previous month and moved close to our target price. We also covered part of our Global Telco position post its recent weakness. Lastly, we took profits on our long-held position in GSK after it hit our target price and reduced Man Group post the recent strength.

**Tui Group – Patience starting to pay off? A lot more to come, still ~100% upside –** As outlined in our February newsletter post the company’s profit warning, when things don’t go as planned, our investment process kicks in and we revisit the investment case to determine if it still holds. Our updated analysis highlighted (a) the resilience and quality of the content businesses (Hotels, Cruise ships), (b) the cyclical vs. structural nature of the Tour Operator and (c) an overall 100% upside in the valuation post the sell down. This led us to remain confident in our ability to get paid in the medium-term and retain the position. We now believe Tui is primed to take full advantage of the recent collapse in Thomas Cook, using the strength of its integrated business model to take significant market share in a softening European market. We expect further outperformance as/when the Brexit and Max 737 overhangs clear. The stock continues to offer close to ~100% upside, this remains one of our highest conviction longs.



KEY FIGURES END OF MONTH

Lauro was launched in Sep ‘16 with a EU & Asian portfolio. Below is (a) the carve-out of the EU Long/Short until 01/04/19 when the transition to a full EU Long/Short was completed and (b) the net performance afterwards

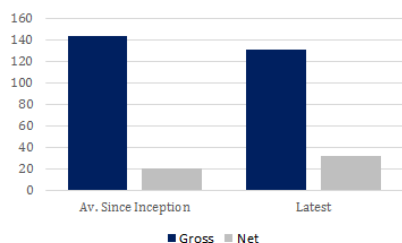
Gross Trading Performance Europe Long/Short carve-out

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LAURO	MSCI EU
2016									-0.1%	-2.9%	0.4%	4.0%	1.2%	5.1%
2017	-1.4%	4.0%	1.1%	-2.1%	4.3%	-3.6%	2.4%	1.7%	-2.1%	1.6%	0.1%	5.7%	11.7%	10.0%
2018	2.9%	-2.2%	1.7%	4.0%	-0.6%	-1.9%	0.5%	-0.4%	3.9%	-5.1%	-3.7%	1.7%	0.1%	-13.1%
2019	0.7%	-3.7%	-1.0%										-4.0%	10.7%

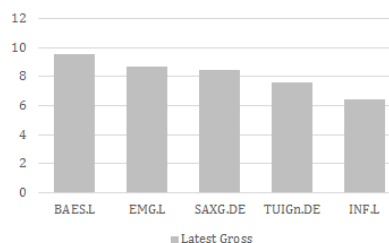
Net Performance - Lauro Opportunities Europe (%)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LAURO	MSCI EU
2019				3.3%	-2.8%	2.3%	2.4%	-0.1%	1.0%				6.1%	3.1%
<i>Annualised Rate of Return</i>													12.2%	6.2%
<i>Annualised Volatility</i>													7.1%	10.9%

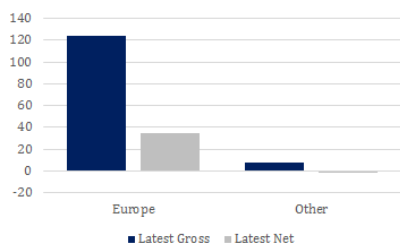
Gross vs. Net (%)



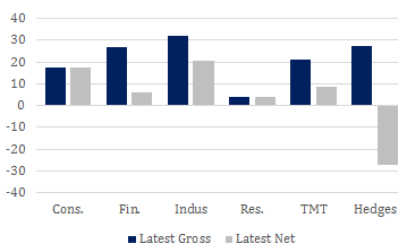
Top 5 Holdings (%)



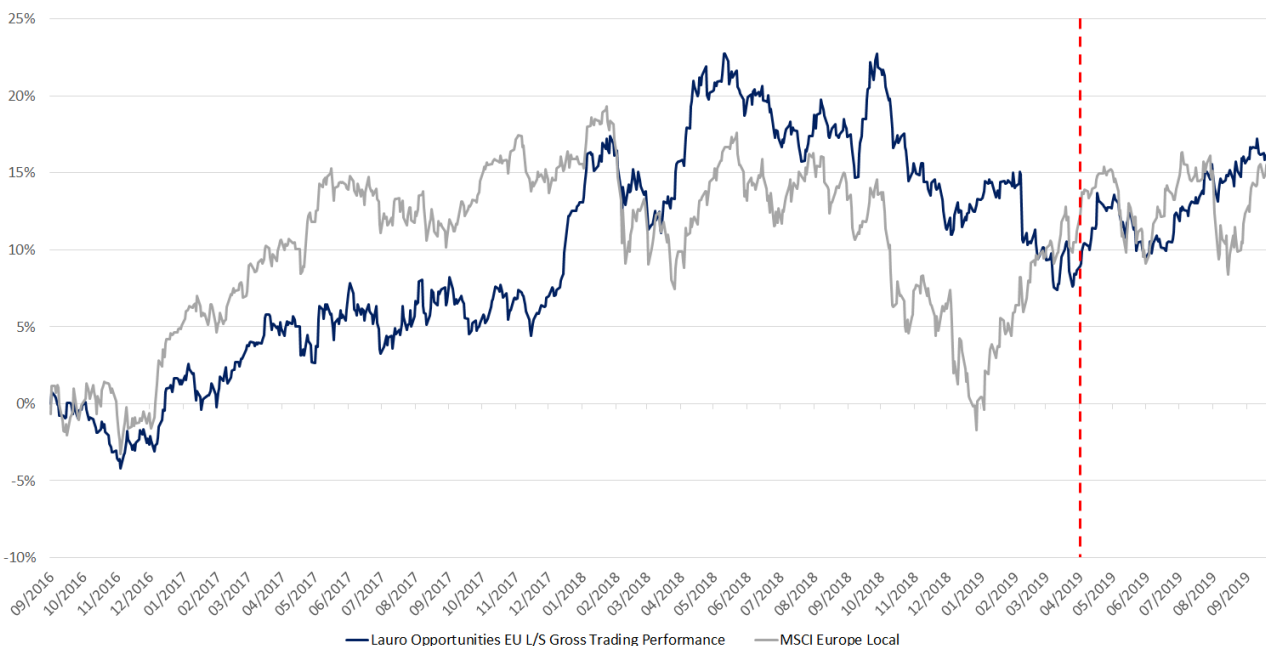
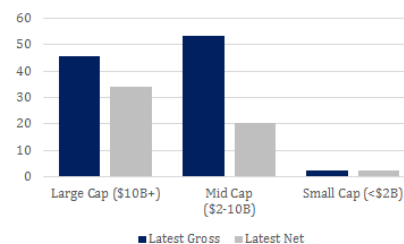
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)



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These fund returns are calculated for a representative investor (invested since the inception in A-shares, our main product). Actual returns may vary based on investment timing, fee and share class differences. Net returns reflect the deduction of management fees, incentive fees and all fund expenses.

Past performance does not guarantee future results. A portfolio could suffer losses as well as achieve gains. Future returns are not guaranteed and a loss of principal may occur.

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