

Month: -2.5% gross / -2.6% net

Total AUMs: US\$48m

**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/YEARLY HIGHLIGHTS

**We finished January down -2.6% net vs. -1.7% for the MSCI Europe Local index.** Volatility rose sharply in January (+37% vs. Dec) with multiple exogeneous events impacting the markets: (a) Spreading of COVID-19 virus in China & beyond culminating in the WHO declaring an international public health emergency; (b) Aftermath of US airstrike killing Iranian General Qasem Soleimani; (c) Continued Trump's impeachment proceedings; (d) China and the US signing their interim "Phase 1" trade deal; (e) Continued environmental concerns with high profile decisions like that of Blackrock making climate change a key investment consideration. Investors ended quickly repricing global growth expectations as a result, the fall in the oil price (-18% from its peak) being a good case in point.

**Key contributors/detractors** – With limited information and ability to trust the data out of China on COVID-19, the market took a broad-based approach to its potential implications. Our portfolio was overweight sectors and industries directly exposed to the fear of contagion including travel & leisure (Tui & RyanAir -130bps), global exhibition (Informa -80bps), oil (Saipem -60bps) and to a lesser extent financial services (Man Group -35bps). This was somewhat offset by our large defence position (BAE Systems +140bps) and some of our market hedges & alpha shorts (+70bps) but not enough to offset enough of the underperformance.

**On the trading front**, given the expected transient & short-term nature of a virus and as long-term investors, we traded little over the month, except to right size our exposure to the virus & ensure we were comfortable with the risk we were taking (more on this below). We lowered our exposures to RyanAir, Tui & Informa accordingly.

**How are we thinking about the virus? Waiting for peak cases.** Our view FWIW is that the virus will peak in the next 3-4 months and you want to buy “peak cases”. As with SARS, the key question is whether this is creating a delay vs. a permanent destruction to economic activity, especially given the size of China now vs. 2003 and its importance in global supply chains. Looking further at 2003, the markets took a ~9% hit, rebounded ~7% and then fell another ~15%. If you follow that playbook, we have now been through phases 1 & 2 with the markets rebounding sharply in February so far and are contemplating whether phase 3 is about to start. A few data points suggest that could be the case: (a) Sudden change of methodology leading to a sharp increase in the number of cases in China, how many infected citizens went all over Asia/the world unchecked before Chinese New Year?; (b) COVID-19 is milder but more contagious with longer incubation periods (up to 24 days) and asymptomatic spread (airport temperature controls inefficient), we could see cases outside China accelerating soon; (c) Test kits cost \$300 each, making it impossible for emerging economies to properly test “at risk” populations. Although the WHO is the place to go for reliable information, it is hard to believe Indonesia has had zero cases so far when neighbouring Singapore is near ~60. Not to mention Africa... Ethiopian Airlines continues its China service and ~1,500 passengers arrive in Addis Ababa from China every day, many of whom transit to other African destinations. We expect the narrative to get worse before it gets better, leading to a potential renewed sell-off in markets as a result. With the adjustment in position sizes we have made, we estimate that if another January sell-off were to happen, we would lose a more manageable ~1%. We will then use the market weakness to move decisively and continue to upgrade the quality & stability of the portfolio.



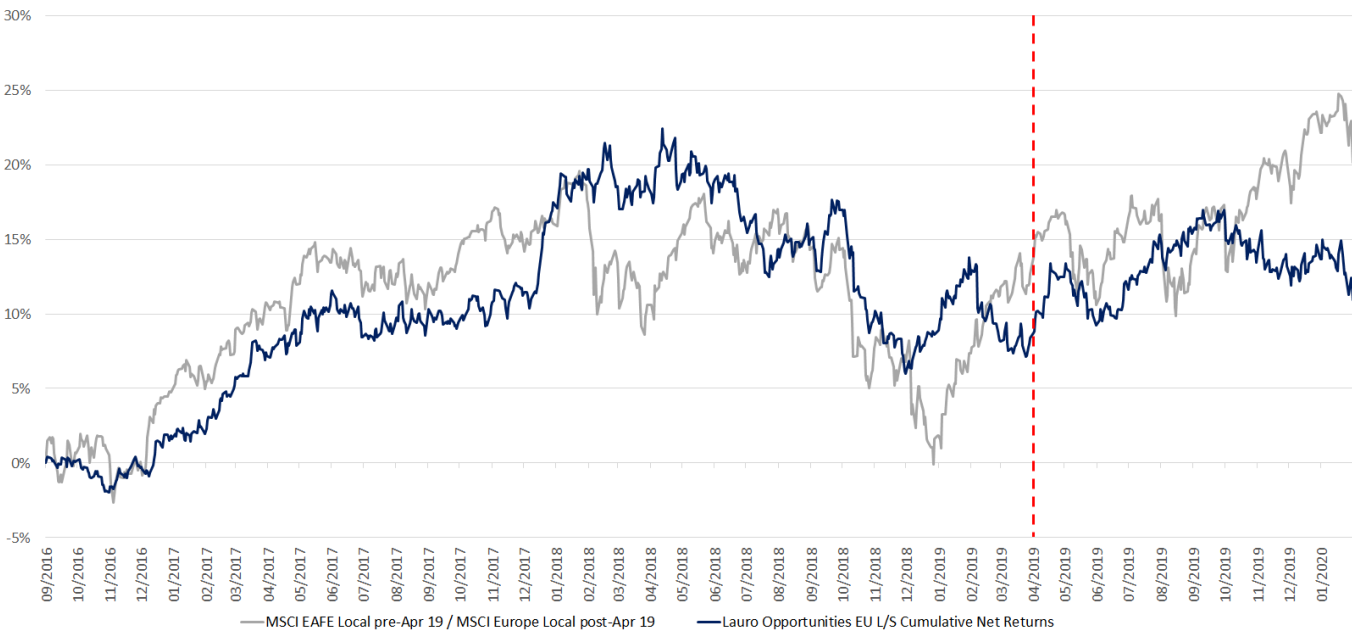
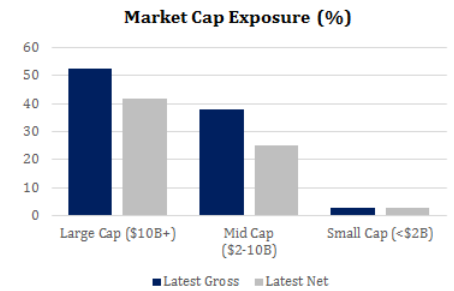
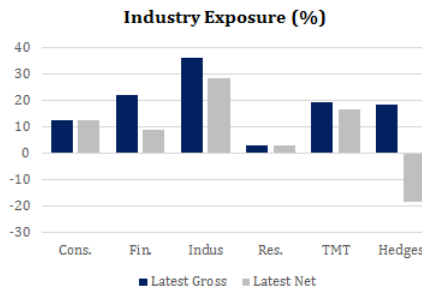
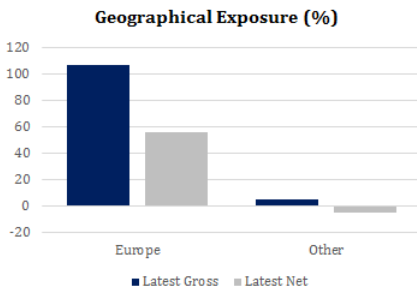
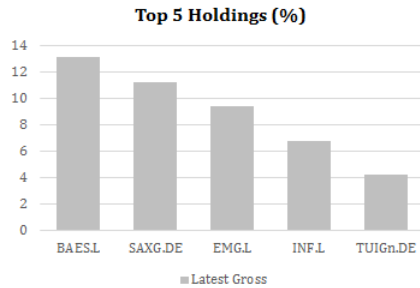
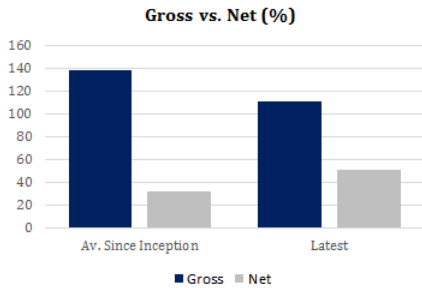
KEY FIGURES END OF MONTH

Net Performance Lauro Opportunities Europe & Asia ex Japan Fund

| YEAR | JAN  | FEB   | MAR   | APR  | MAY   | JUN   | JUL   | AUG  | SEP   | OCT   | NOV   | DEC  | LAURO | MSCI EAFE |      |
|------|------|-------|-------|------|-------|-------|-------|------|-------|-------|-------|------|-------|-----------|------|
| 2016 |      |       |       |      |       |       |       |      |       | 0.0%  | -2.3% | 1.4% | 1.7%  | 0.8%      | 4.9% |
| 2017 | 0.1% | 2.6%  | 1.5%  | 0.4% | 2.6%  | -2.5% | 0.4%  | 0.3% | -0.4% | 0.8%  | 0.4%  | 4.9% | 11.4% | 10.7%     |      |
| 2018 | 1.5% | -1.1% | -0.3% | 0.2% | -0.3% | -2.0% | -2.1% | 0.3% | 1.5%  | -6.2% | -3.7% | 2.5% | -9.4% | -12.2%    |      |
| 2019 | 4.0% | -3.9% | 0.0%  |      |       |       |       |      |       |       |       |      | 0.0%  | 10.7%     |      |

Net Performance Lauro Opportunities Europe Fund

| 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% | -3.1% | -0.4% | 0.2% | 2.6%  | 8.4%    |
| 2020                             | -2.6% |     |     |      |       |      |      |       |      |       |       |      | -2.6% | -1.7%   |
| <i>Annualised Rate of Return</i> |       |     |     |      |       |      |      |       |      |       |       |      | -0.1% | 7.9%    |
| <i>Annualised Volatility</i>     |       |     |     |      |       |      |      |       |      |       |       |      | 7.9%  | 10.9%   |



**DISCLAIMER AND RISK WARNING**

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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