

Month: -2.3% gross / -2.5% net

Total AUMs: US\$47m

**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

Before digging into this month's performance, we wanted to send our best wishes to all to keep safe and healthy during what are extraordinary times.

**We finished February down -2.5% net vs. -8.3% for the MSCI Europe Local index.** The main driver for the month was the spread of COVID-19 from China to the rest of the world. Indeed, up until the weekend of February 22nd, the market had actually started to price in a recovery as it pre-empted peak cases with China. But soon it became clear the virus was not contained with cases exploding in Italy and South Korea and investors were quick to start pricing the event accordingly with the index selling off -11.5% in the last 5 days of the month.

**Key contributors/detractors** – The earnings season has been particularly pleasing with our core long- and short positions broadly beating expectations. Only two small positions disappointed - ISS and ABInbev - both missing already rebased expectations and costing us 170bps in aggregate. Furthermore, the COVID-19 event clearly pushed fundamentals to the background and aggravated the performance with our exposed names in Travel (Ryanair) and Exhibitions (Informa) costing us a further 200bps. On the hedging front, our large short Global Asset Manager delivered +110bps, our puts on the Eurostoxx 600 +130bps and other hedges a further +100bps.

**On the trading front**, we started the month with a net exposure of over 50% reflecting the bottom up nature of the portfolio and the encouraging earnings performance and valuation of our key positions. Over the course of January and part of February, we used the low volatility environment as an opportune time to buy insurance on the market – notional exposure of 27% on March/April Eurostoxx puts. When running further analysis on our exposure to the COVID-19 issue, we determined our risk was still too high and sold around 10% of the net exposure accordingly. As the news flow deteriorated further, we sold an incremental 10%. As a result of the current environment and/or continued disappointment on some of our investment theses, we exited AIBG and Tui and reduced Informa substantially. On the short side, it was a busy month with our Global Asset Management, travel software, travel industry, weak balance sheet and cyclical shorts all going up substantially to hedge out our long term positions further. All in, combined with the puts, we sold around 40% of the fund in February.

**How are we positioned for the downside associated with the COVID-19 pandemic?** We clearly remember the global financial crisis and the havoc it created on financial markets. Invoking this playbook, we have separated the portfolio into risk buckets in order to navigate the current crisis effectively. These buckets are highlighted below:

Buckets of risk	Long	Short	Net	Gross	Comment
Weak Balance sheets	1.8	(7.7)	(5.9)	9.5	AB Inbev legacy position. Versus hedge of Leveraged names
Small cap	11.1	(17.0)	(5.9)	28.1	Short Italian, German and French Small cap indexes
Travel exposure	6.2	(8.3)	(2.1)	14.5	Long Leisure, short Corporate
Cyclicals	12.9	(6.7)	6.2	19.6	Long Schneider, Vinci, Vestas, Anglo
Financials	7.4	(7.9)	(0.5)	15.3	Long Man Group short UK Financial basket
Defensives	21.7	-	21.7	21.7	Long BAE and Tesco
<b>Total</b>	<b>61.1</b>	<b>-47.6</b>	<b>13.5</b>	<b>108.7</b>	

In terms of exposures, we are short the factors that underperform in bear markets – size and leverage in particular. We have separated cyclicals between Travel and broader industrial names. Within these we are broadly long the winners from any global shake out – Ryanair, Schneider, Vinci – names which have a combination of strong balance sheets, a differentiated product and a management team looking to exit the crisis in a stronger position than when they entered it. The net exposure sits in 2 names – BAE and Tesco – both of which have lower exposures to the COVID-19 pandemic (Tesco has a small exposure to Tesco bank). In fact we would argue both are likely beneficiaries in the short- to medium term.

**In summary, we are net short the higher beta components of the market and overweight strong long term franchises** and have built a roadmap as the crisis rolls from one country and sector to another. The fragility of the global economy and its reliance on leverage and QE are clear risks which the COVID-19 outbreak exposes in its entirety. Governments globally are now reacting broadly with the level of urgency and magnitude required to maintain the health of the population and mitigate the damage to domestic economies.

**We believe we have a portfolio which is well balanced between both the upside and downside risks associated with this crisis and have a roadmap monitoring the stress in the system, which will allow us to move quickly when the situation clears.** However, the unwinding in financial markets is likely to take longer than current observers are forecasting. In our experience, when volatility breaches 70%, the oil price falls 40% and equity markets are down 30% on little under 2-3 weeks, there is someone holding the bag... Let's hope it is not a systemic entity.

KEY FIGURES END OF MONTH

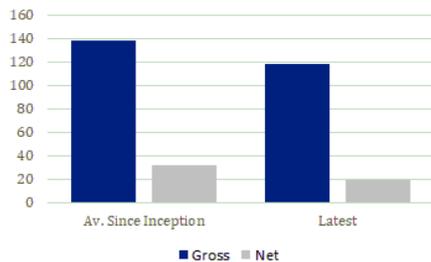
Net Performance Lauro Opportunities Europe & Asia ex Japan Fund

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%	

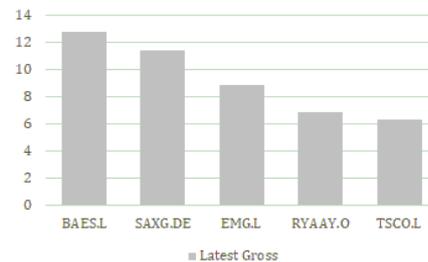
Net Performance Lauro Opportunities Europe Fund

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%	-2.5%											-5.1%	-9.8%
Annualised Rate of Return													-2.8%	-2.4%
Annualised Volatility													8.4%	12.6%

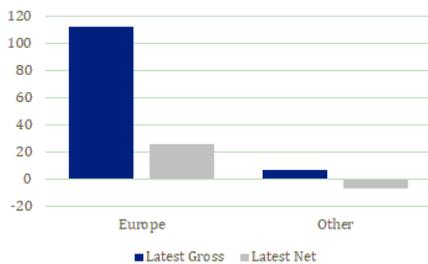
Gross vs. Net (%)



Top 5 Holdings (%)



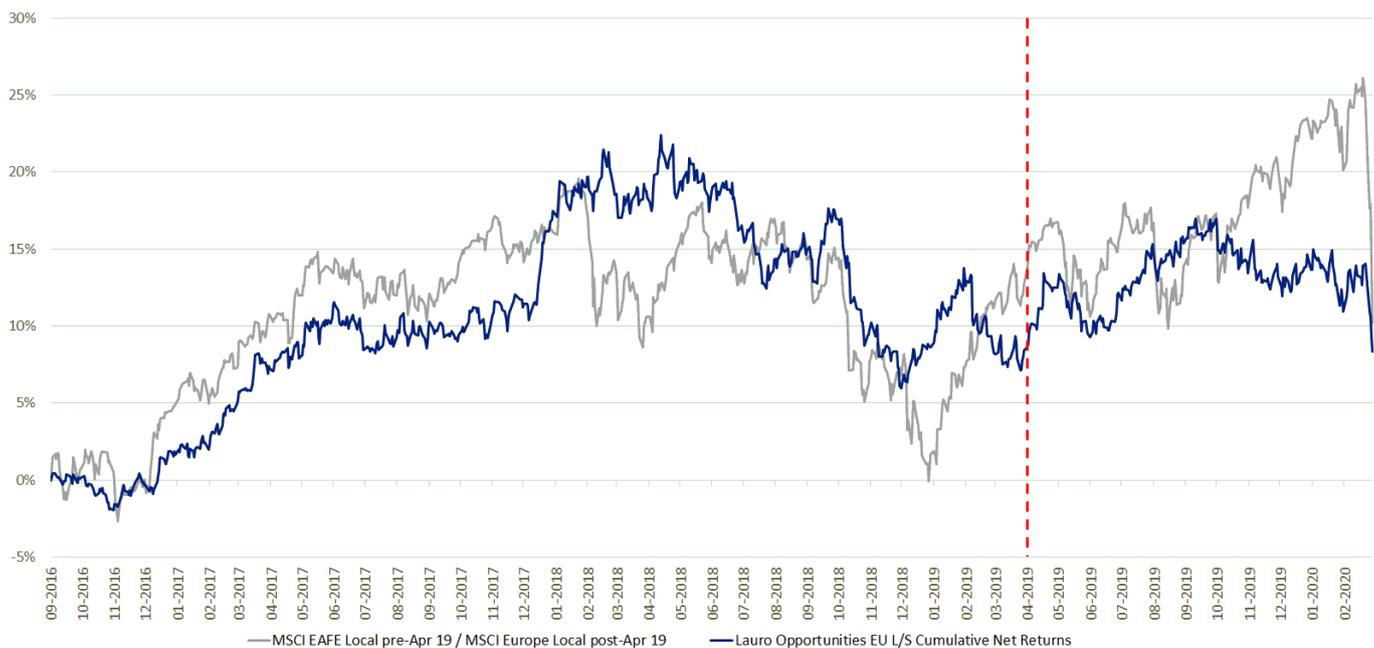
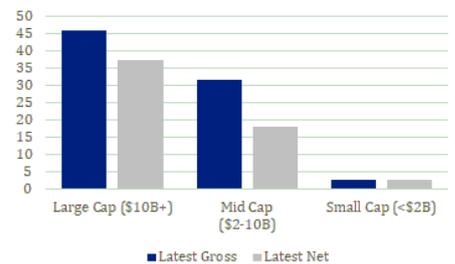
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)



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