

Month: +4.4% gross / +4.2% net

Total AUM: US\$45m

**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. We work to maximise the idiosyncratic nature of our returns through our Active engagement with management teams.**

#### MONTHLY/YEARLY HIGHLIGHTS

**We finished the month +4.2% net vs. +2.5% for the MSCI Europe Local index.** August was broadly a re-run of the previous month where the index traded up > 5% at one point, only to sell off in the last few days to close +2.5%. The European index is up c.5% since June, underperforming the US over this period by c.10%, reflecting currency (Euro +6%) and US' higher exposure to quality tech. Within Europe, an ongoing tug-a-war continues between concerns over the long-term economic consequences of COVID-19 versus the sheer magnitude of stimulus packages put in place globally. Case in point – the Fed's policy announcement at Jackson Hole, targeting 2%+ average inflation. This highlights the direction of travel for higher inflation, whilst where possible retaining lower rates. The market as it always does, follows the money – which for the time being means growth assets. **Europe remains a “value” play as the wait continues for higher inflation and with it a steepening of the yield curve.**

**Key contributors/detractors** – the H1 earnings of 2020 has been one of our most productive since inception. Across the board on both the long and the short side of the portfolio, our holdings outperformed / underperformed expectations respectively. Further, the acceleration in clean energy adoption through EU's Green Recovery continued to support our portfolio in August. Vestas, Ströer and BAE Systems reported strong earnings over the period delivering 213bps, 166bps, and 125bps of performance respectively. In the case of Ströer and BAE Systems, strong earnings and guidance on future dividends highlighted the powerful underlying cash flows. On detractors, Rheinmetall exhibited weakness reflecting some disappointment around the timing of the strategic auto review costing -47bps. On the short side, our Travel software and Kitchenware OEM short cost us -50bps and -37bps respectively.

**On the trading front** – We initiated a new Short position on a Global Hard Luxury name. There were no significant changes to the portfolio over the month, with some “nip & tucking” around core positions.

**Anglo American (AAL)** – New long position. Undiscovered upstream play on the clean energy revolution. There has been a lot of heavy lifting at AAL since Mark Cutifani joined as CEO in 2013. It has taken time as there was a lot to fix - particularly around execution of large projects. We think AAL is now in a prime position to leverage off all the hard work particularly versus the other miners reflecting a combination of:

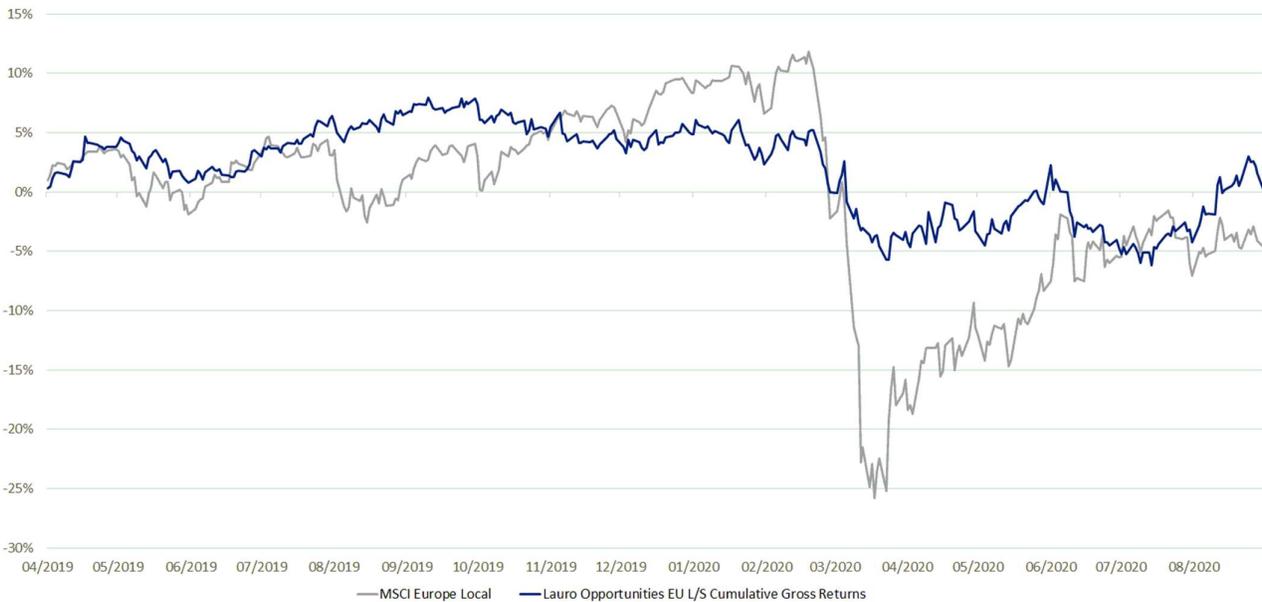
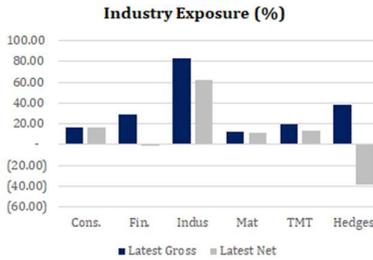
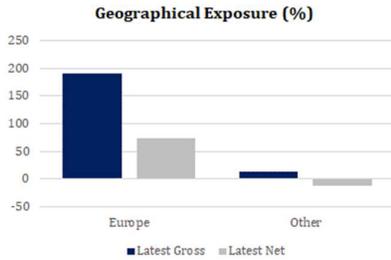
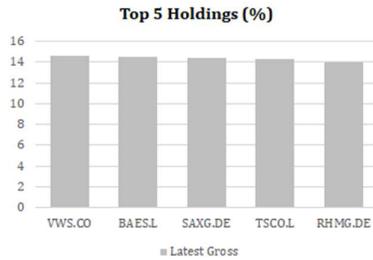
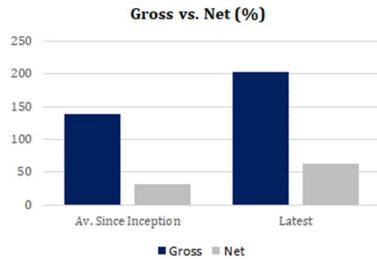
- **Significant growth profile underappreciated** – AAL looks to deliver 20% copper equivalent volumetric growth over 2019-23. Quellaveco, the largest new copper mine out of Peru, is currently still on schedule for commissioning despite COVID-19 (a far cry from the debacle post GFC of Minas Rio in Brazil).
- **Reset in cost base evident** – restructuring substantially enhancing AAL's position across the cost curve
- **AAL's portfolio is later cycle and more consumer based** with strong contributions from copper, PGMs (platinum), nickel and diamonds. AAL remains a highly diversified versus its peer group.
- **Hydrogen Tech adoption a call option** – The signs of a resurgence in hydrogen technology is likely lead to greater use in fuel cell and broader industrial technology. Platinum is a clear beneficiary with AAL one of the few key ways to access this positive investment opportunity.
- **Diversified geographical asset mix undervalued** versus larger peers which are over-reliant on Australia. Given the volatile geopolitical backdrop, AAL's diversification is not reflected in its current cost of capital.



KEY FIGURES END OF MONTH

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%	-3.4%	-0.2%	2.2%	-3.8%	0.1%	4.2%					-6.2%	-12.1%	
													Annualised Rate of Return	-2.6%	-3.9%
													Annualised Volatility	11.4%	22.4%



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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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