

Month: +3.3 % gross / + 2.8% net

Total AUM: US\$55m

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 of September +2.8% net vs. -3.1% for the MSCI Europe Local index. With the end of the summer, the market started focusing on some of the implications of the Covid crises, in particular the continued disruption in global supply chains and importantly the potential for an energy crisis. The slowdown in China hit another crescendo with the near collapse of Evergrande and subsequent rescue plan in order to contain the fallout within the confines of the China property sector. We have discussed our view on China previously and think the combination of Delta covid strain + tightening associated with delivering “common prosperity” leads to lower growth and higher cost inflation versus current market expectations. All this happening into an environment of continued re-opening suggests higher inflation rates and with it a higher US Bond Yield (rising from a low of 1.02% to a high of 1.25% during Sept-21). **While we are bottom-up stock pickers, our portfolio is well-placed from a factor point of view for a higher yield and lower China growth environment, as highlighted by strong performance into a falling market.**

Key contributors / detractors – the short portfolio was the key driver of performance with the main contributors including our financial shorts (+80bps), Global Elevator Short (+80bps), and Renewable Short (+60bps). On the long side the main detractor was Anglo American (-60bps).

Tesco – Time to Act. We recently presented to the **Chairman of Tesco, John Allen** our view in unlocking value including:

Outline ambitious medium term growth targets – Market share growth sustains a 2.5% topline CAGR.

Update capital allocation priorities – Outline balance sheet strength from a diversified platform and asset base. The past 5 years has been about value transferral from equity to debt holders. The next 5 years should be the reverse, including a comprehensive and sustainable share buyback program.

Highlight the value of the property portfolio – Property ownership should add to diversification and flexibility, lowering the Group’s overall cost of equity. Tesco’s current strategy of providing limited information as it relates to property has arguably led to the reverse where the property assets act as a drag on value, trading at a significant discount to both embedded and option value.

Tesco Bank to redistribute £500m back to Holdco – The market currently allocates no value to the bank. Redistributing excess capital for a share buyback is highly accretive to shareholder returns.

Tesco at the recent H1 results and Capital Markets Day on 6/10/21 has executed on 2 of our suggestions, which we believe shows the strong alignment between management and minority shareholders. **We think there is more to come as Tesco’s management flex their dominant position within the UK market, and with it more upside ahead for shareholders.**

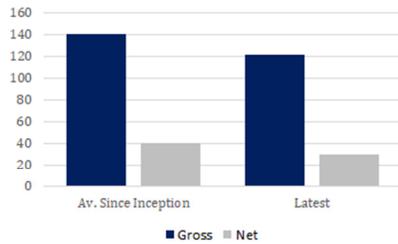


KEY FIGURES END OF MONTH

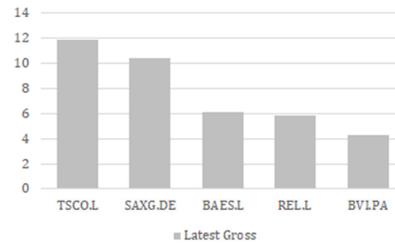
Net Performance Lauro Opportunities Europe Fund

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%	0.7%	-6.6%	15.7%	4.4%	6.7%	-4.3%
2021	-5.3%	1.7%	1.4%	1.1%	-1.3%	-0.3%	2.1%	2.5%	2.8%				4.5%	12.9%

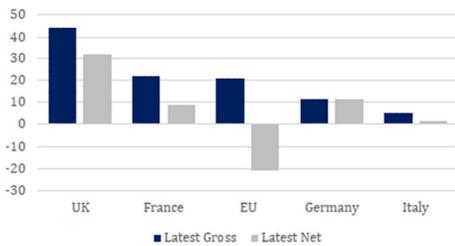
Gross vs. Net (%)



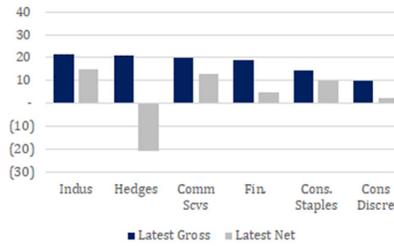
Top 5 Holdings (%)



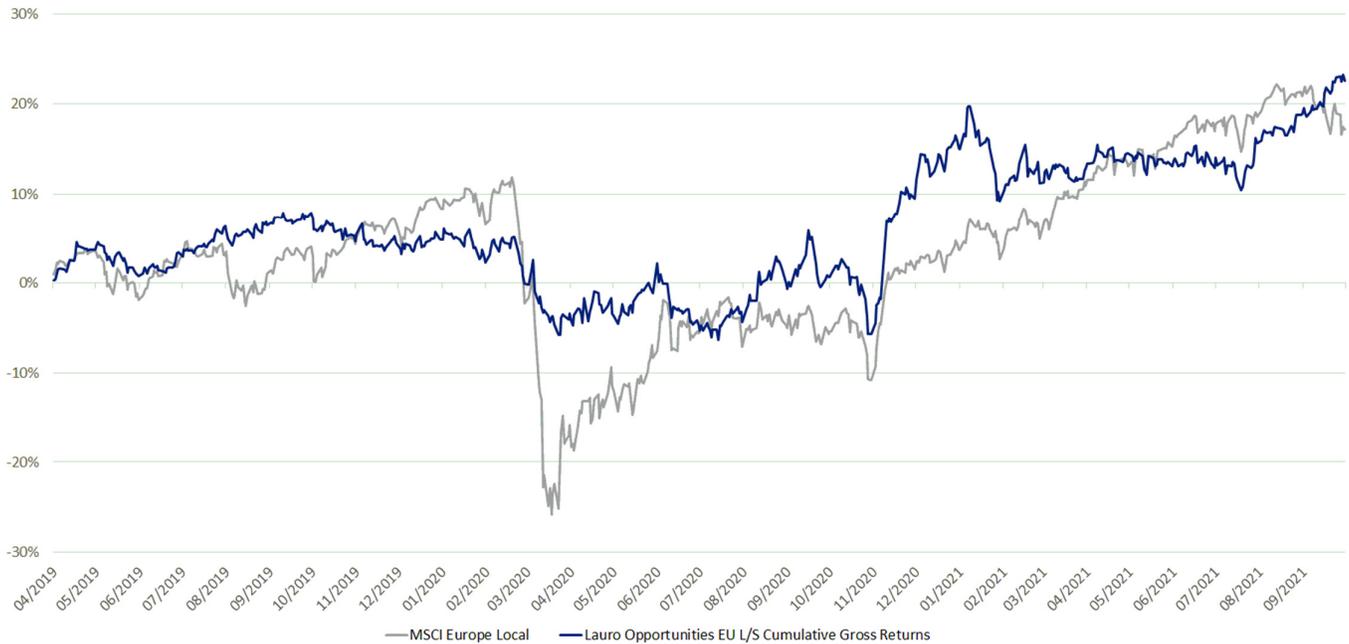
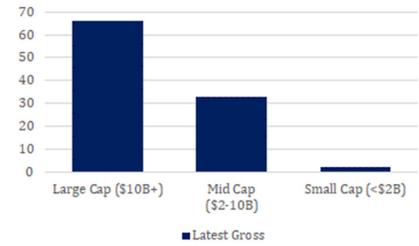
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)



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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