

**Month: +1.9% gross / +1.5% net**

**Lauro is an Asia- and Europe-focused Active Long/Short Equity Fund looking for superior returns through its high conviction, high concentration long-term focused portfolio**

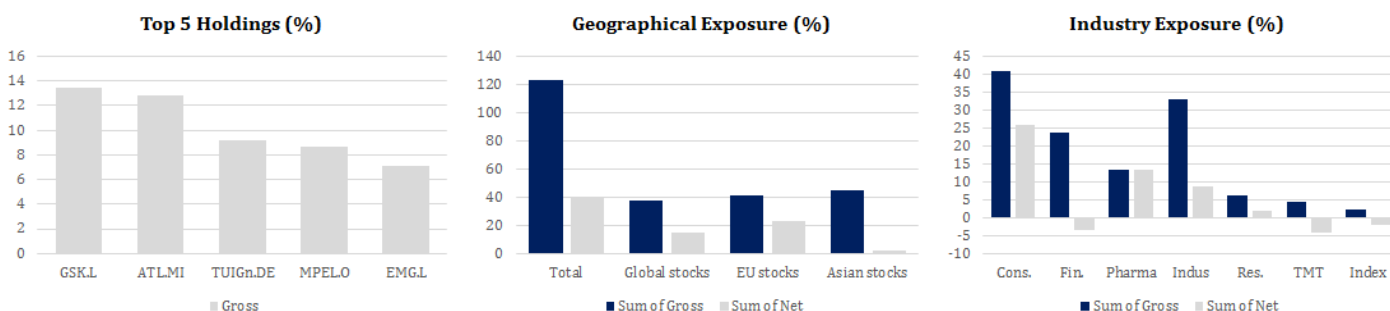
## MONTHLY HIGHLIGHTS

**March was the first month since the election of Donald Trump where we saw dispersion across geographical indices.** Both the S&P 500 and the Nikkei exhibited weakness over the month whilst Lauro’s core markets of Europe and Asia ex Japan continued to benefit from improved economic fundamentals and fund flows. We continue to remain constructive on both European and Asia markets reflecting low valuation, improving fundamentals and broadly supportive ownership levels. The key risk going into March and April remains political. We’ve cleared the initial hurdle with Gert Wilders and his PVV party underperforming in Holland. All eyes on France now with left activist Jean-Luc Melenchon making late inroads on poll leaders Marine Le Pen and Emmanuel Macron. The combination of both Le Pen and Melenchon represents over 40% of current voter intentions suggesting the nationalistic/anti-globalisation tide in France is higher than reported by the market. Either candidate would likely be unfriendly to markets and in particular to the sustainability of the EU project. The risk of a Melenchon/Le Pen second round is not priced into current markets and is something that we are actively monitoring and will act on if necessary.

**We were on the right side of stock dispersion for the month with the portfolio delivering on both the long and short side of the book, driven mainly by the Consumer and Industrials sectors.** Our Asian consumer longs Chow Tai Fook and Melco Entertainment continued to enjoy strong momentum from a recovering China consumer whilst our retail shorts remained under pressure. We are particularly pleased with the Asian portfolio, delivering ~50% of our performance YTD on a broadly net neutral Asian book. In Industrials, Atlantia released a positive earnings’ report and update on its asset recycling plan which translated into good share performance.

**Activity in terms of trading over the month was more elevated as we started to trim winning positions.** Over the month we exited Harris whilst trimming Chow Tai Fook & some of our short positions as they reached our price targets. **One of the positions we increased on the back of our exit of Harris is Thales.** It currently falls out of our top 5 positions but is a name we are looking to increase over time for the following reasons:

- With Trump’s pressure on NATO members, **Defense budgets will go up** & EU players likely to gain share;
- Evolution of type of threat requiring software solutions vs. traditional “hardware”. Thales has a dominant position in cyber security & surveillance. Expect **Thales to outgrow the market** (5% CAGR next 3 yrs);
- As Patrice Caine (new CEO) implements his **clear strategic vision for the business**, we see Thales’ lagging EBIT margins vs. peers expanding by 35 bps in the next 3 years;
- **Solid compounder** giving investors a 7% FCF yield next 3 years & a growing dividend yield;



### YTD Net Performance 3-year Share Class (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016									+0.0	-2.3	+1.4	+1.7	+0.8
2017	+0.1	+2.7	+1.5										+4.3



## Lauro Opportunities Key Figures

	Net Performance (%)				Ann. Vol. (%)	Sharpe Ratio	Av. Net Since Inception (%)	Av. Gross Since Inception (%)	Max. Monthly Drawdown (%)	% Positive Months
	MTD	YTD	2016	Inception to Date						
Lauro 1-Year Share Class	+2.9	+4.7	-6.3	-1.9	5.6	0.1	32	111	-3.4	47
Lauro 3-Year Share Class	+2.7	+4.3	+0.8	+5.1	4.8	+2.1	34	117	-2.3	86

Note: 3-year share class inception Sep '16

Lauro	Target	Since Inception	Mar '17	Comments
• # of stocks	20-30	20	25	Concentrated Portfolio
• Long Positions	10-20	13	13	
Median Holding Period	18-24 months	12 months		WIP, portfolio only one year old
Average Sizing	4-8%	5% / top long 11%	6% / top long 13%	Top 10 positions: 92% of Long book
• Short Positions	5-15	7	12	
Median Holding Period	6-12 months	5 months		WIP, progressively replacing index hedges by alpha shorts
Average Sizing	3-6%	4% / top short 7%	3% / top short 6%	Alpha shorts, limited use of indices
Gross Exposure	120% - 150%	110%	123%	Gross & net exposures are “typical” ranges
Net Exposure	20% - 50%	31%	40%	
Volatility	>10%	6%	5%	
Region				Global but predominantly Europe & Asia

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