

Month: +0.3% gross / +0.1% 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

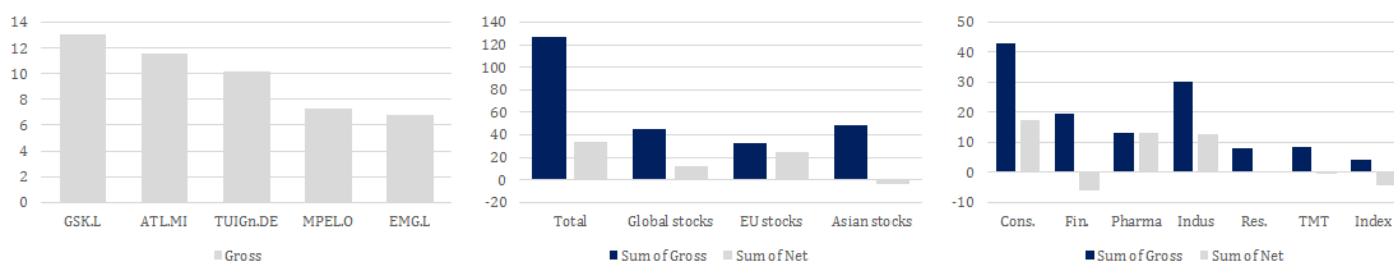
In January, global equity markets remained well bid with the US and Asia seeing continued upside and Europe exhibiting some digestion post a strong run into year end. From a top down perspective, the economic backdrop remains constructive globally with PMI and consumer confidence all seeing substantial improvements. As with 2016, political risk remains high and the inauguration of President Trump living up to expectations with his first week in office bringing a flurry of executive orders. We are looking through the theatrics of the new Administration and building our own internal scorecard around key economic reforms, essentially a good Trump / bad Trump scorecard. We are also turning a watchful eye towards Europe given the upcoming election cycle with the Netherlands, France, Germany and potentially Italy all going to polls. European stocks remain cheap, reflecting the higher cost of capital associated with the political instability, the high leverage in Southern Europe and the potential for a break-up of the Euro area. We expect to see increased volatility especially around the French election in April/May and we are busy building our wish list of strong European companies we want to own on any sell off.

From a portfolio construction perspective, there was minimal activity over the course of the month. We increased our position in MPEL by around 300bps reflecting the sell down in December. We continued to reduce our exposure to core stock holding Amer Sports as issues around the potential border tax in the US gained traction. Lastly, Bank of Ireland reached our price target and we exited the position accordingly.

Our Asian positions continued to drive performance with Chow Tai Fook, Melco Crown and Tencent all contributing positively to performance. In Europe, our long financial positions in Man Group and Bank of Ireland were up double digit. However, some of our stalwart positions – Glaxo, Atlantia and Thales – retrenched and we used the opportunity to increase our positions in two of them (GSK and Atlantia).

Increasing our positions on share price weakness is an essential pillar of our investment approach. Man Group is a good example & now features in our top 5 longs. Key drivers of our conviction:

- **Man Group is more than just AHL Alpha:** The \$80b of AUMs is comprised across different strategies, brands from CTA, quant driven strategies to equity long short and long only;
- **After several years of AUM leakage, the Diversified Group is starting to win institutional mandates;**
- **Turnaround in operating fortune** of the Group despite continued fee pressure;
- **Exceptional value at 10x PE**, with a 5% dividend yield and a 5% buyback program;
- **Either succeed or consolidate.** New management are driven by shareholder returns;



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												+0.1



Lauro	Target	Since Inception	Jan '17	Comments
• # of stocks	20-25	20	22	Concentrated Portfolio
• Long Positions	10-15	13	12	
Median Holding Period	18-24 months	11 months		WIP, portfolio only one year old
Average Sizing	4-8%	5% / top long 10%	6% / top long 13%	Top 10 positions: 92% of Long book
• Short Positions	5-10	7	10	
Median Holding Period	6-12 months	4 months		WIP, progressively replacing index hedges by alpha shorts
Average Sizing	3-6%	4% / top short 7%	5% / top short 7%	Alpha shorts, limited use of indices
Gross Exposure	100% - 175%	109%	127%	
Net Exposure	20% - 75%	31%	33%	
Volatility	>10%	6%	6%	
Region				Global but predominantly Europe & Asia

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