

**Month: +0.2% gross / flat net**

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

## MONTHLY HIGHLIGHTS

Markets broadly traded sideways during the month with limited differences across the main regional indices. From a sector perspective, Resources continued to outperform reflecting strong across the board commodity prices as the Chinese monetary stimulus from late 2015/early 2016 is making its way into the real economy. **Our portfolio was broadly flat (+24bps gross basis), in line with the market on a net basis.**

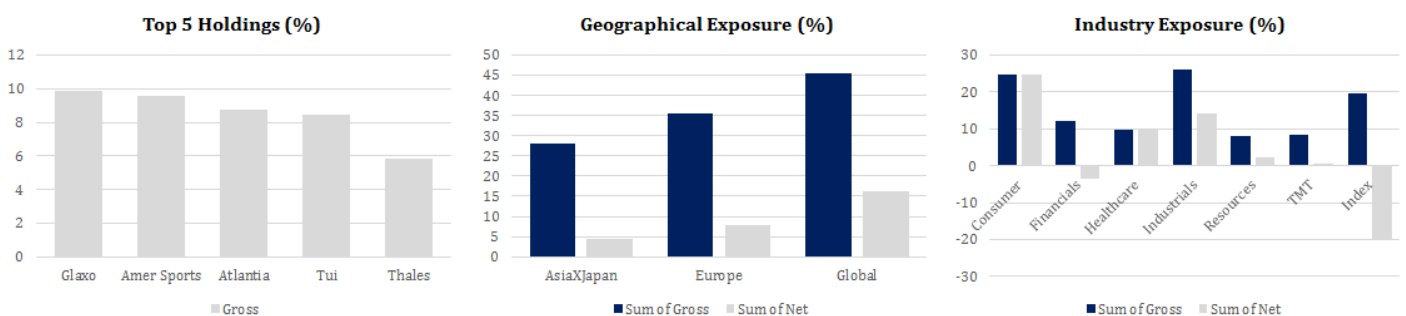
The **main contributors to performance over the month were Thales, Tencent, Melco Crown & Chow Tai Fook**. There were no main detractors for the month.

For what it is worth, **we remain broadly sanguine on equity markets**, reflecting both a low visibility of earnings growth in the face of peak earnings across a lot of the sectors we look at, with a significant level of uncertainty around the speed of interest rate increases. **This can be seen in our positioning with around 105% gross and net around 30% (which is broadly neutral for our business model)**. Broadly, the gross is split around 45% global, 35% Europe and 25% Asia, including hedges.

A closer look at one of our high conviction positions, **Tui Travel**:

We view Tui both on a standalone basis and within its industry as a franchise which has improved significantly over the past 10 years. The industry has suffered from almost 20 years of disintermediation with the arrival of low cost carriers & online travel agents. Tui responded by consolidating the market, allowing it to (a) take cost out & drive efficiency to combat pricing pressure and (b) drive the earnings by securing well placed content in which its distribution channels could maximise occupancy across the asset base. Thanks to its transition to a pure play European travel and tourism company, **Tui has transformed the return profile of the company (improving operating returns, increasing dividend, decreasing leverage), something the market is yet to recognise.**

The differentiated work we have done is **breaking down the operating returns across the value chain to unveil significant earnings and cash opportunities not currently embedded in the share price**. As we wait for the market to recognise the underlying value, the Company will continue to pay a secured 5% 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				0.0

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