

Month: -2.1% gross / -2.3% 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

After a couple of months of stabilising performance, the fund suffered in October, ending the month down -2.3% net. Global equity markets were weak as well with the MSCI EAFE Index down -2.2% over the month, although Europe was the outlier (-1%), reflecting the recovery in bank shares and continued strength in resources.

Three of our five high conviction positions (Amer Sports, GSK and Tui) drove the bulk of the losses. For GSK, despite better than expected earnings, the stock was weak on the back of concerns over a Clinton presidency while Tui was impacted by both the weakening GBP and higher oil prices. We spend more time on Amer below.

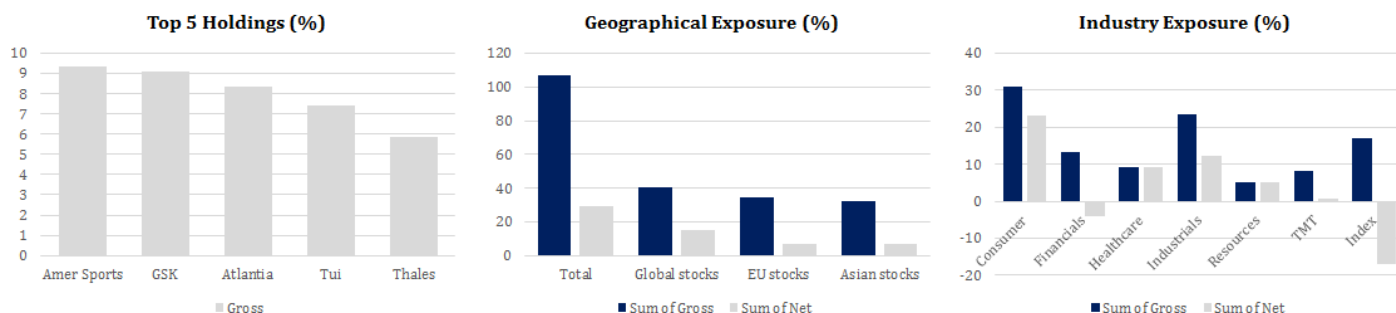
We continue to strictly adhere to our investment & stock selection process with little trading during the month, patiently waiting for the right opportunities and constantly monitoring any market weakness to enter new companies and/or add to our high conviction positions.

As we move into the final months of 2016, we are expecting to see more of the political anguish experienced during the year. One of them was the US election – which at the time of writing we’ve just cleared – but we expect more volatility with the OPEC meeting on Nov 30th, the Italian referendum on Dec 4th, ECB meeting on Dec 8th and the Fed meeting on Dec 13th. We ended the month with 107% gross and 30% net, reflecting our broadly neutral view on equities.

Turning to **Amer Sports**, now our largest position:

Amer is a global manufacturer and retailer of outdoor, fitness and ball sports, combining high end niche brands like Arc’teryx, Salomon, Atomic, Suunto and Wilson amongst others. After significant restructuring of underperforming businesses, management is now turning to growth by extending its brands across a broadening product range and geographies. It started to show in the numbers in September with an upgrade to long term revenue growth guidance to 6.5% CAGR out to 2020.

Q3 trading was impacted by 2 issues: (a) the bankruptcy of Sports Authority in the US impacting sales and (b) a restructuring charge in order to streamline the business into 2017. We view these events as temporary and simply pushing earnings into 2017. Accordingly, we increased our position on the recent pull back.



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			-2.3



Lauro	Limit	Target	YTD Average	Comments
Number Of Stocks	60	20-25	19	Concentrated Portfolio
• Long Positions	40	10-15	13	18-24 Month Duration
• Sizing	15%	4-8%	5%	Anything Below 4% Is Either a Toe Hold or Exiting
• Short Positions	20	5-10	6	Alpha Shorts, 6-12 Month Duration
• Sizing	10%	3-6%	4%	
Gross Exposure	200%	100% - 175%	106%	
Net Exposure	100%	20% - 75%	29%	
Region	Global			Predominantly Europe and Asia

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