

Month: +3.1% gross / +2.7% 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

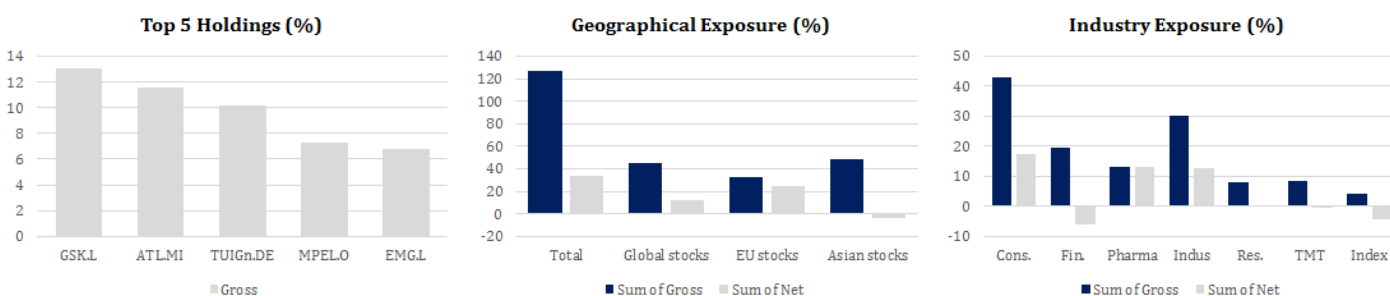
In February, the “Trump Bump” continued with global equity markets remaining strong (+2.5%). As fundamentally based investors, we tend to focus on 3 key drivers – economic fundamentals, valuation and market technicals – to establish our top down view of the markets. But at present, political concerns also make the list given the number of sensitive events coming up, mainly in Europe. They range from the impact of the “America First” dynamic and what it means for the cost of capital globally to the existential threat surrounding the European project, particularly going into this year’s election cycle. As for Europe, we are becoming more comfortable that the elections in Holland and France will unlikely be the catalyst for European destabilisation. Accordingly, we remain comfortable with our overweight position in the region and constructive stance on broad equity markets – particularly ex US – given the improving growth dynamic and valuation levels.

February was a good example of what we are striving to deliver. Of the 24 stocks in the portfolio at the end of February, 23 have now reported with only 2 missing expectations to the up/downside. As a result, a lot of the performance for the month did not come from one particular stock but across most names, both longs and shorts. What is particularly pleasing is to see the portfolio is up 5.1% gross since the inception of the 3-year class (Sep ’16) with an average 34% net (75% long, 41% short), demonstrating encouraging alpha generation. This is best illustrated by our short portfolio, broadly flat over this time horizon despite strong equity markets. In a nutshell, stock selection has been the key driver of performance, very much in line with our business model.

Once again, there was minimal activity over the course of the month with around 10 trades completed, mainly trimming current positions in the portfolio given price movements.

Looking at **Atlantia (large EU road & airport infrastructure play), one of our key positions, in more detail:** We are buying a tier 1 asset at a discounted price given its largest operations are in Italy:

- **Management is looking to recycle value from its core Autostrada division** by selling 15% and reallocating the capital to other growth operations;
- **Revenue growth acceleration** across Italian and emerging market assets;
- **Average cost of debt falling** from current 4.2% to marginal cost of 1.6%;
- **Paying 14-15x** for the combination of a **highly visible 15% EPS growth** over the next few years, a **5% dividend yield and a 5% buyback**



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											+2.8



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	+3.0	-6.3	-3.5	5.6	-0.3	31	110	-3.4	43
Lauro 3-Year Share Class	+2.7	+2.8	+0.8	+3.6	4.7	+1.9	34	116	-2.3	83

Note: (a) For 1-year share class, performance is calculated as gross performance less management fee less normalised costs up until injection of assets at end of Aug '16

(b) 1-year share class inception Jan '16 / 3-year share class inception Sep '16

Lauro	Target	Since Inception	Feb '17	Comments
• # of stocks	20-30	20	24	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 14%	Top 10 positions: 92% of Long book
• Short Positions	5-15	7	11	
Median Holding Period	6-12 months	4 months		WIP, progressively replacing index hedges by alpha shorts
Average Sizing	3-6%	4% / top short 7%	4% / top short 6%	Alpha shorts, limited use of indices
Gross Exposure	100% - 175%	110%	123%	
Net Exposure	20% - 75%	31%	37%	
Volatility	>10%	6%	5%	
Region				Global but predominantly Europe & Asia

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