

**Month: +0.6% gross / +0.4% 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**

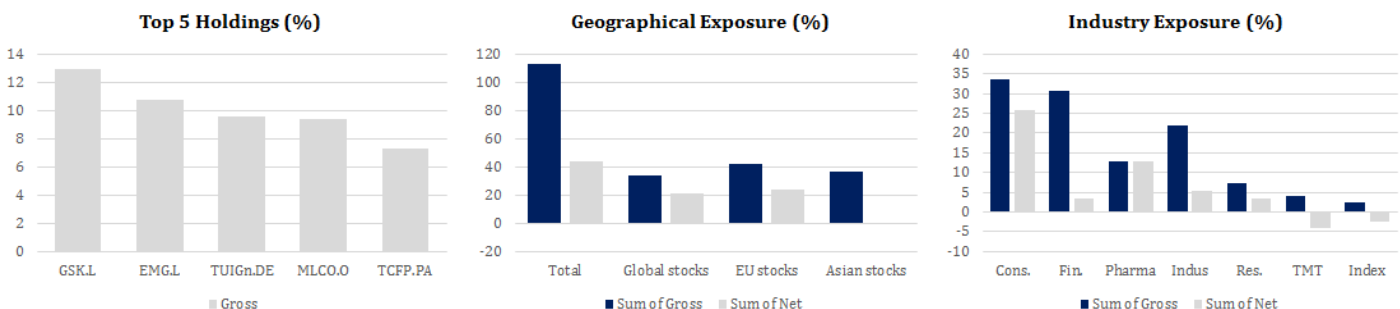
## MONTHLY HIGHLIGHTS

**We saw another positive equity month in our core EU & Asian markets**, reflecting a combination of higher growth, low valuation & sustained fund flows. We continue to be constructive on these markets with the relief surrounding Macron’s election offering an opportunity to increase some of our key positions.

**Despite Lauro’s positive month, we were somewhat disappointed with the ultimate outcome (+0.6% vs. EAFE +1.4%).** One of the drivers of the subdued performance was Atlantia, a name we built a position on patiently over the last 6 months. As you might recall, we like the quality of the business, the cyclical recovery in traffic in Italy, the visibility of the capex, the investment in airports, all that at an attractive valuation & 5% dividend yield. We had recognised as a risk the potential for dilutive acquisitions given their stated goal to dilute Italy overtime... but nowhere in our investment case did we see the potential for them to buy an asset of similar market cap! On announcement of the potential deal, we assessed the new information and in particular our management score and reduced our position accordingly.

**April represents a good month to showcase some of the risk management tools we have implemented at Lauro.** We think about “intended vs. unintended risks” when it comes to risk management. As a high concentration (>90% of our long book in our top 10 positions), high conviction manager, you want us to take risk... what you don’t want is us taking reckless risk. The resurgence of Mélenchon as a potential candidate in the 2<sup>nd</sup> round was a very unpalatable outcome given his policies. Although the risk of a Mélenchon/Le Pen face off was low, the impact on markets and the portfolio would have been large. We shocked the portfolio for a 10% move in the CAC and a 100% increase in EU volatility which highlighted a potential 3.5% downside in the portfolio. Our business model focuses on using alpha shorts where the bottom up process of identifying longs and shorts determines the gross and net of the portfolio. However, for political events where the outcome is binary in nature, we will from time to time use some premium to moderate downside risk. This is what we did in this instance, spending 30bps of premium on SX5E puts to take some of the potential losses (an extra 100bps) out of the hands of French voters back into our own control. We thought a good use of insurance.

**April was a much higher trading month vs. our usual trading levels.** This was a reflection of exiting positions hitting our price targets (end of Harris & Chow Tai Fook), closing some short positions whose investment case had changed (Yum! China), hedging out some of the French political risk and increasing exposure to EU post the French election given our constructive stance. Our gross fell (113% vs. 123% last month) and our net increased (44% vs. 40%) as a result.



### 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	+0.4									+4.7



## 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						
<b>Lauro 1-Year Share Class</b>	+0.4	+5.1	-6.3	-1.5	5.7	+0.1	32	111	-3.4	50
<b>Lauro 3-Year Share Class</b>	+0.4	+4.7	+0.8	+5.5	5.1	+2.1	36	117	-2.3	88

Note: 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

Note: 3-year share class inception Sep '16

Lauro	Target	Since Inception	Apr '17	Comments
• # of stocks	20-30	21	21	<b>Concentrated Portfolio</b>
• Long Positions	10-20	13	12	
Median Holding Period	18-24 months	15 months		WIP, portfolio only one year old
Average Sizing	4-8%	6% / top long 13%	7% / top long 13%	Top 10 positions: 92% of Long book
• Short Positions	5-15	8	9	
Median Holding Period	6-12 months	7 months		WIP, progressively replacing index hedges by alpha shorts
Average Sizing	3-6%	4% / top short 7%	4% / top short 5%	Alpha shorts, limited use of indices
<b>Gross Exposure</b>	<b>120% - 150%</b>	<b>111%</b>	<b>113%</b>	Gross & net exposures are “typical” ranges
<b>Net Exposure</b>	<b>20% - 50%</b>	<b>33%</b>	<b>44%</b>	
<b>Volatility</b>	<b>&gt;10%</b>	<b>6%</b>	<b>7%</b>	
<b>Region</b>				<b>Global but predominantly Europe &amp; Asia</b>

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