

Month: +0.5% gross / +0.3% net

Current AUMs: US\$39m

Lauro is an Asia- and Europe-focused Active Equity Fund looking for superior returns through its high conviction, high concentration, long-term focused portfolio

MONTHLY HIGHLIGHTS

August returned +0.3% net vs. a flat MSCI EAFE. While the EAFE equity markets were flat to down marginally for the month, underlying was a divergent trend with positive Asia ex Japan (+1%) being offset by weak developed markets (Europe -1%). As we discussed last month, risk continues to be absorbed within the currency markets, especially with the USD remaining weak and now down ~10% from its Trump driven highs in December last year. All in, given most of our net resides in Europe, we continue to be encouraged by our alpha generation.

Key drivers of performance: The key contributors for the month were in Europe with two of our largest positions Tui Group and Man Group (both >10% of the portfolio) releasing better than expected earnings, which led to good share price performance. We also saw continued strength in Tencent & Melco in Asia. On the short side, both H&M and Singapore Press contributed positively, a reflection of the market continued re-evaluation of the long-term viability of their current strategies and business models. On the detractors' front, Pandora reversed its strong July performance on what were mixed results, especially as it relates to growth in the US. Our Australian shorts also hurt us over the month.

Trading was moderate for the month. Of notice was our initiation of a long position on Zhou Hei Ya (1458.hk – see below) on the long side after it sold off ~15% post its earnings results. We broadly think the portfolio is in good shape going into H2 and offers attractive asymmetry (25% upside vs. 10% downside). Indeed, we are confident the embedded earnings growth of the key positions within the portfolio will outperform current market expectations for H217 and into 2018. Lastly, we are in the process of recycling some of our short positions which have broadly hit our price targets.

As mentioned above, **we initiated a position in Zhou Hei Ya (1458.hk – Chinese duck snacking company)** on the back of share price weakness. Summary of our thesis:

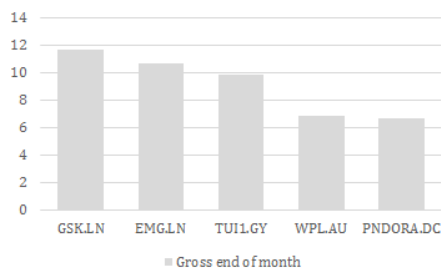
- **Casual snacks are a high growth segment** – Overall the casual food industry in China is growing at 12% CAGR next 5 years with braised duck segment in the 18% range;
- **Zhou Hei Ya is taking significant market share** with a combination of rolling out into tier 1/2 cities (from its strong base in tier 3/4 cities) as well as extending out its SKUs into new innovative food groups (like crayfish);
- **Investment in the platform will accelerate long term returns** – Outsized investment in branding, manufacturing, store roll out, packaging and online capability enhances the consumer experience significantly versus competitors;
- **ROIC in the 70-80%** range is sustainable in the medium term particularly as the benefits of the recent investment drive absolute cashflows;
- **At 16x PE (including 20% of market cap in cash) for an earnings growth in excess of 15%**, the market is valuing this company at a significant discount to its intrinsic valuation on nearly any metric;

YTD Net Performance 3-year Share Class (%)

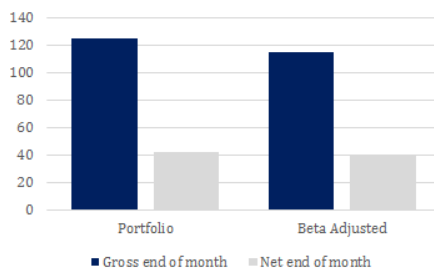
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016									0.0%	-2.3%	1.5%	1.7%	0.8%
2017	0.1%	2.6%	1.5%	0.4%	2.7%	-2.5%	0.4%	0.3%					5.5%



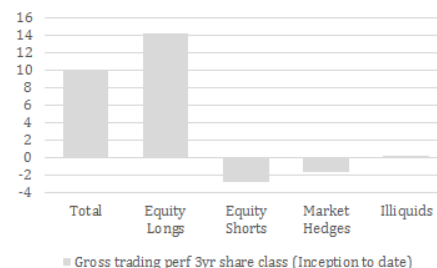
Top 5 Holdings (%)



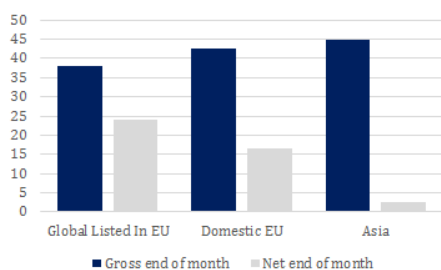
Gross vs. Net (%)



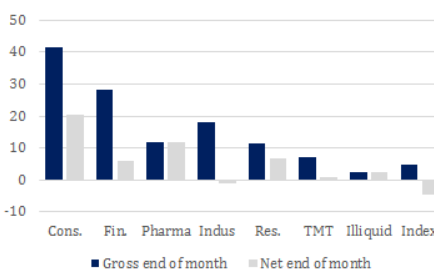
Performance Contribution (%)



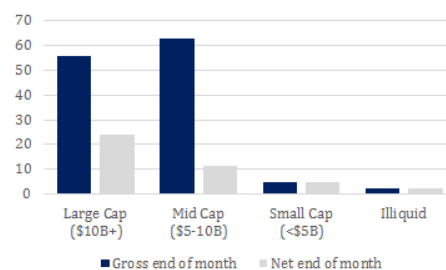
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)

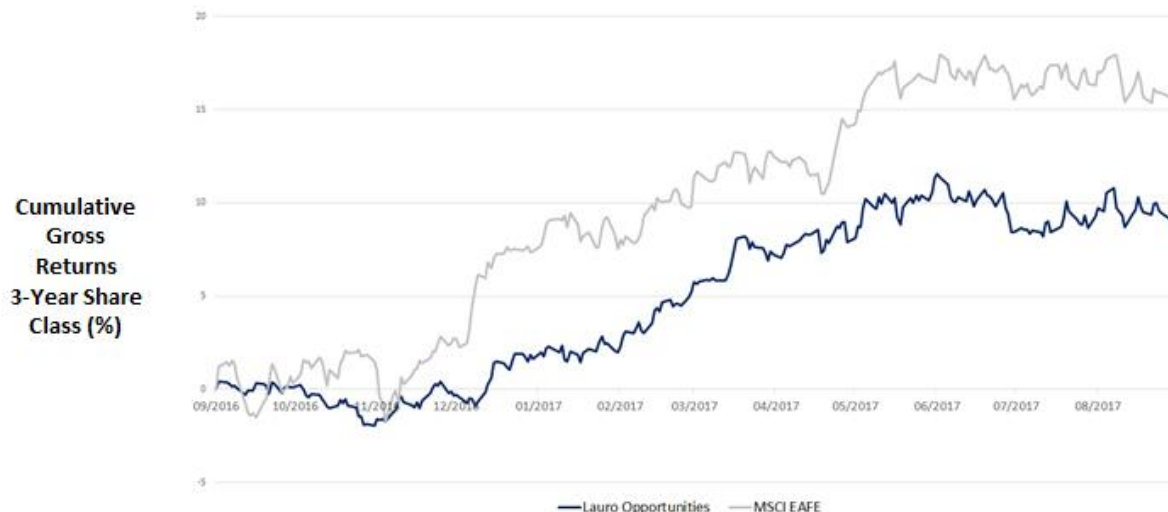


3-Year Share Class	Target	Since Inception (Sep '16)	At End of Aug '17	Comments
• # of stocks	20-30	23	26	Concentrated Portfolio
• Long Positions	10-20	13	15	
Median Holding Period	18-24 months	12 months		Work in progress
Average Sizing	4-8%	6% / top long 14%	6% / top long 12%	Top 10 positions: ~90% of Long book
• Short Positions	5-15	10	11	
Median Holding Period	6-9 months	10 months		
Average Sizing	3-6%	4% / top short 8%	3% / top short 6%	Alpha shorts, limited use of market hedges
Gross Exposure	120% - 150%	117%	125%	Gross & net exposures are "typical" ranges
Net Exposure	20% - 50%	38%	43%	
Volatility	>10%	6%	8%	
Illiquids	Up to 20%	2%	2%	First illiquid investment in Jun '17. Investors can opt in or out
Region				Predominantly Europe & Asia

Lauro Opportunities Key Figures

	Net Performance					Ann. Vol.	Sharpe Ratio	Av. Net Since Inception	Av. Gross Since Inception	Max. Monthly Drawdown	% Positive Months
	MTD	2017 YTD	2017 Annualised	2016	Inception to Date						
Lauro 1-Year Share Class	0.3%	5.9%	8.9%	-6.4%	-0.9%	6.0%	0.3	35%	113%	-3.4%	55%
Lauro 3-Year Share Class	0.3%	5.5%	8.2%	0.8%	6.4%	5.8%	1.5	39%	118%	-2.5%	83%





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