

Month: +0.7% gross / +0.4% net

Current AUMs: US\$38m

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

July returned +0.4% net vs. MSCI EAFE +0.7%. The devil was in the details for July as although MSCI EAFE was up +70bps, European indices were down -40bps vs. Asia up a strong +370bps & China a standout at over +830bps. Europe is now only up +4.5% YTD with a lot of the performance driven by the currency (+12%). As a reminder, we do not take currency positions within the fund, keeping our top-down work to being “macro aware”, and focus instead on bottom up stock drivers. Despite our portfolio being long Europe and short Asia (driven by Australia), we were able to generate “some” alpha over the month, another data point confirming our stock selection business model.

Key drivers of performance: Tencent in anticipation of strong Q2 earnings and Pandora, bouncing ~20% from oversold levels both helped. What has been striking during this reporting season is that companies that beat vs. expectations weren’t rewarded while companies that missed, even ever so slightly, were punished. Within our key positions, this was the case of GSK, due to a marginally disappointing earnings guidance post H1 results and Melco, on the back of earnings of lower quality, just “in line” vs. expectations. Finally, our investment case in Seacor Marine was challenged, we reviewed the position & subsequently started to exit.

We were more active in trading over the month, especially around our shorts where we added conviction in two names post earnings. On the long side, we took the opportunity of the weakness in Europe to initiate a small position in LVMH, a “trophy asset” which moved from our reserve list as the 20% upside & 2:1 asymmetry we’re looking for materialised. We also top sliced some other positions as they moved closer to our target prices.

As is customary, we take the opportunity of this newsletter to walk you through one of our high conviction ideas: **Bank of Ireland.** It has underperformed the broader European bank universe due to earlier disappointment around capital generation (pension deficit), a substantial IT initiative depressing short term earnings and remnants of the Brexit decision impacting the earnings of its UK division (20% of earnings but 40% of balance sheet). These issues overlook what we see as real underlying strength in the bank’s earnings power and free cash flow generation... and Q2 results highlighted exactly why you should own this bank:

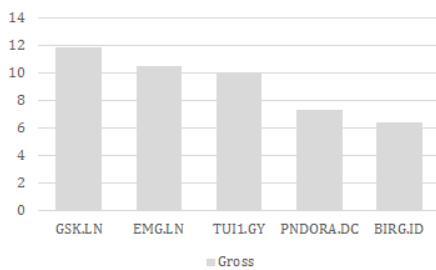
- **Margin expansion** from an average NIM of 2.18% in 2016 to Q2 margins of 2.33%. NIMs should continue to expand as the full benefit of the UK deposit repricing starts making its way into the P&L;
- **Increased lending activity in Ireland** across the commercial business, starting to offset some of the underlying redemption pattern post the GFC’s consumer deleveraging;
- **Improving economic conditions in Ireland** leading to both lower provisions and writebacks in the core book;
- **Continued improvement in risk weightings**, especially on a relative basis, given mortgages in Ireland retain 30-35bps of risk weighting vs. 15bps in the UK;
- **At 0.85x p/b, the market is not focusing on the improvement of the underlying profitability** and strong capital generation which should manifest itself in a **dividend payment restarting in 2017** & growing strongly over the next few years;

YTD Net Performance 3-year Share Class (%)

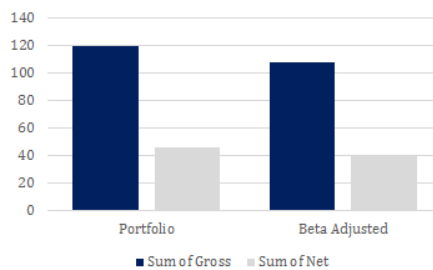
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016									0.0%	-2.3%	1.5%	1.7%	0.8%
2017	0.1%	2.6%	1.5%	0.4%	2.7%	-2.5%	0.4%						5.2%



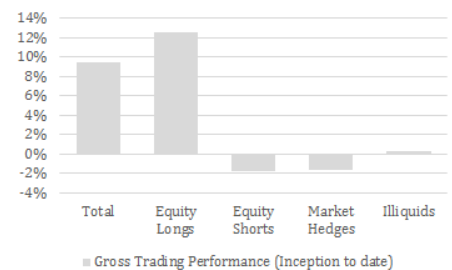
Top 5 Holdings (%)



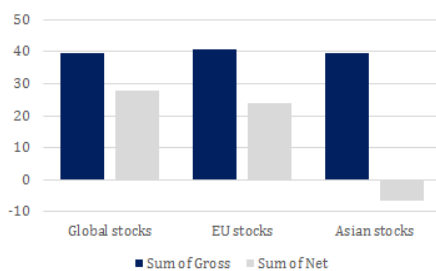
Gross vs. Net (%)



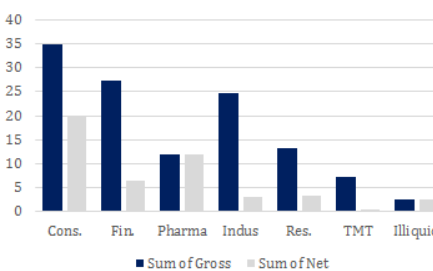
Performance Contribution (%)



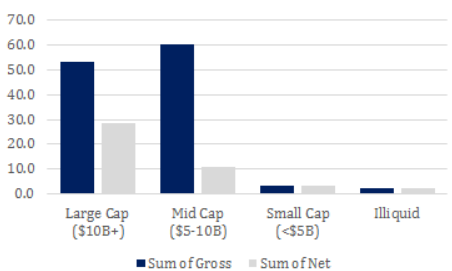
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)



3-Year Share Class	Target	Since Inception (Sep '16)	At End of Jul '17	Comments
• # of stocks	20-30	23	26	Concentrated Portfolio
• Long Positions	10-20	13	15	
Median Holding Period	18-24 months	11 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	9 months		
Average Sizing	3-6%	4% / top short 8%	3% / top short 5%	Alpha shorts, limited use of market hedges
Gross Exposure	120% - 150%	117%	120%	Gross & net exposures are "typical" ranges
Net Exposure	20% - 50%	38%	46%	
Volatility	>10%	6%	6%	
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	0.5%	5.6%	9.7%	-6.4%	-1.1%	5.9%	0.2	34%	112%	-3.4%	53%
Lauro 3-Year Share Class	0.4%	5.2%	8.9%	0.8%	6.1%	5.6%	1.5	38%	117%	-2.5%	82%

Note: 3-year share class inception Sep '16



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