

**Month: -2.6% gross / -2.5% net**

**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

**After 7 months of positive performance, June was a negative month at -2.5% net (vs. EAFE -1.3%).** Key detractors: (1) Financials were the main negative contributor with our key longs (Man Group & Bank of Ireland) down ~2-4% vs. our shorts up ~2-5%. More specifically, Bank of Ireland’s weakness came from the name being used as a funding source for the Allied Irish Bank IPO; (2) Thales, Atlantia and GSK were down ~4-5% on the month reflecting a combination of share price exhaustion and some impact from the repricing of the 10-year bond yield in EU in particular; (3) Tui was off 7% on the month, mainly driven by the cancellation of talks in merging its loss making German airline TuiFly with Ethiad and Air Berlin.

**There was limited trading in June post some new injection in the fund.** The weakness in the fund happened in the last 4 days of the month and as none of the above led to structural changes in our investment cases, we subsequently added to some of our positions.

**You may recall that Lauro can invest up to 20% of the fund into illiquids (investors can opt in/out) and June saw our first illiquid investment – Tellus Holdings Limited.** It provides land repositories for low toxic waste in Australia & is currently in the development stage of two repository waste sites – Sandy Ridge (WA) and the larger Chandler project (NT). Our investment case is based on the following key drivers:

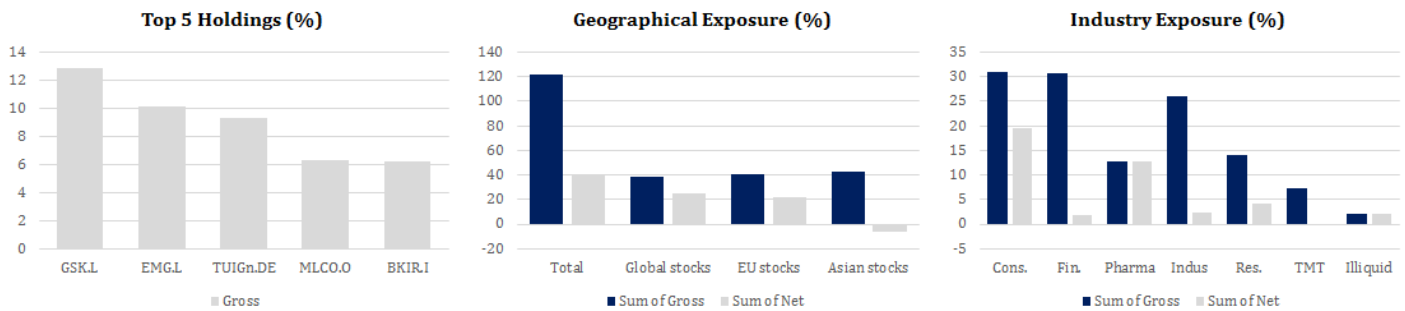
- Tellus has **first mover advantage** and is 5 years ahead of competitors in servicing the attractive 800mt+ low toxic waste market in Australia;
- The management team has **secured the 2-3 most lucrative sites** on which to build this industry. The most advanced is Sandy Ridge, a brown field site in Western Australia with environmental permitting to be signed in the next few months & civil engineering works commencing in November;
- We estimate **Sandy Ridge’s IRR at ~60%**, reflecting the brown field nature of the project & outsourcing of all logistics to partner Toll, thus minimising costs. Around 80% of the revenues of the first 5 years have already been “secured” with the signing of MOUs with large Australian customers looking to dispose of their waste. We see **>150% upside from the Sandy Ridge project alone and multiples of this over the next few years with the larger Chandler project;**
- We **like the management team** with the combination of (a) the CEO’s entrepreneurial skills, best illustrated by the perseverance & meticulousness associated with pushing through a project of this type and (b) the guidance provided by an experienced and well-regarded Chairman. Management have built significant optionality into the business which we are not valuing in our investment case.

We are currently engaging the CEO/Chairman on the next funding round, offering our ideas for them to think through how to maximise shareholder value.

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	+2.6	-2.5							+4.8





**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						
<b>Lauro 1-Year Share Class</b>	-2.8	+5.2	-6.3	-1.5	5.8	0.5	34	112	-3.4	50
<b>Lauro 3-Year Share Class</b>	-2.5	+4.8	+0.8	+5.6	5.6	1.4	38	117	-2.5	80

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

3-Year Share Class	Target	Since Inception (Sep '16)	At End of Jun '17	Comments
• # of stocks	20-30	23	24	Concentrated Portfolio
• Long Positions	10-20	13	14	
Median Holding Period	18-24 months	10 months		Work in progress
Average Sizing	4-8%	6% / top long 14%	6% / top long 13%	Top 10 positions: 91% of Long book
• Short Positions	5-15	10	10	
Median Holding Period	6-9 months	8 months		
Average Sizing	3-6%	4% / top short 8%	4% / top short 5%	Alpha shorts, limited use of indices
Gross Exposure	120% - 150%	116%	122%	Gross & net exposures are "typical" ranges
Net Exposure	20% - 50%	37%	41%	
Volatility	>10%	6%	6%	
Illiquids	Up to 20%	0%	2%	First illiquid investment in Jun '17. Investors can opt in or out
Region				Global but predominantly Europe & Asia



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