

Month: -4.0% gross / -4.2% net

Total AUMs: US\$51m

**Lauro is a Global Long/Short Equity Fund managing a long-term concentrated portfolio of 20-30 holdings focused on EU & Asia ex Japan. We believe deep fundamental research focused on ROIC, cashflow generation & attractive asymmetry are key to long-term value creation & we maximise the idiosyncratic nature of our returns through our Active engagement with management teams**

#### MONTHLY/YEARLY HIGHLIGHTS

**We finished February with a disappointing -4.2% net vs. +3.0% for the MSCI EAFE ex Japan Local index.** The equity markets continued to grind higher over the month with Europe up +3.4% and Asia ex Japan +2.1%. China (+3.5%) in particular saw positive inflows with stabilising economic data, the potential for a trade deal with the US and the inclusion of China A share in the broader MSCI universe. Interestingly, EPS across the major markets has fallen some 2-4% YTD whilst equity markets have recovered. The valuation upside we saw at the beginning of the year has broadly closed at this stage.

**Key contributors/detractors:** Our underperformance over the month was driven by three key positions: (a) TUI Group with a 15% profit warning leading to the stock falling 25%+ (see more below), (b) our Australian Fund Management short, which despite poor results and continued outflows, rebounded 22% on the Chinese recovery (reversal of Jan performance). What was equally disappointing was that despite the strong equity markets, our long position in Man Group was down on the month. Finally (c) BAE Systems' full year results disappointed especially around cash flow guidance with the stock down 9% on the month. Only satisfaction was our new European positions in Informa, Schneider, Cairn Homes, Saipem and Stroer all grinding up 4% to 10%.

**On the trading front:** We took some profits on several positions where the asymmetry looked less compelling – Woodside, Robam, Mediobanca and Melco. On the short side, we closed Flight Centre post results whilst also tactically reducing some shorts reflecting risk around overcrowding in current markets.

**What next?** As per our process in periods of underperformance, we meticulously reviewed our key positions to ensure our investment theses remain intact. This included meetings/presentations to the management teams (mainly CEO/ CFOs) of TUI, BAE, Informa, Schneider, Stroer, Cairn Homes and soon AIBG. We came out reassured that we are on the right track and with time will get paid.

**TUI Group review post profit warning.** The combination of the 15% EPS downgrade (driven by the Markets & Airlines division showing higher cost from strong USD, excess hotel capacity in Spain, excess airline capacity, uncertainty around Brexit as well as price aggression on key competitor Thomas Cook), poor communication from the management team and continued concern over weak markets contributed to the 25% fall in the share price. After meeting with Management and discussing with industry players, we believe investors have over-reacted, making TUI a clear value opportunity that we are confident will pay us over time. Our assessment:

- Continued good trading in the core Hotel and Cruise divisions (70% EBITA) offsetting some of the weakness in the Markets & Airlines (M&A) division;
- The weakness in M&A represents a cyclical downturn rather than a structural underlying issue. We expect an adjustment to the cost base and reorganisation of capacity away from Spain to Turkey/North Africa to improve returns into 2020;
- At current levels, TUI represents strong value with over 100% upside, trading on 7-8x 2019 PE with a well covered dividend yield of 8%;



KEY FIGURES END OF MONTH

Lauro Opportunities Key Figures

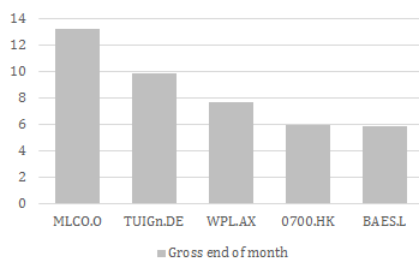
	Net Performance			Since Inception						
	MTD	YTD	MSCI EAFE ex Jap. Local YTD	Net Perf.	Ann. Vol.	Sharpe Ratio	Average Gross	Average Net	Max. Drawdown	% Positive Months
Lauro 1-Year Share Class	-4.2%	-1.0%	9.2%	-7.4%	7.0%	0.1	121%	35%	-9.9%	53%
Lauro 3-Year Share Class	-4.2%	-0.4%	9.2%	1.4%	7.2%	0.5	125%	37%	-9.8%	63%

Note: Soft launch with friends & family money Jan-Aug '16 for 1-year share class. Official launch with inception of 3-year share class through injection of Tier 1 Institutional assets in Sep '16

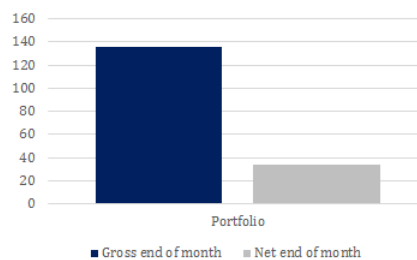
YTD Net Performance 3-year Share Class (%)

	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%	-0.4%	0.8%	0.4%	4.9%	11.5%
2018	1.5%	-1.1%	-0.3%	0.2%	-0.3%	-2.0%	-2.1%	0.3%	1.5%	-6.2%	-3.7%	2.5%	-9.4%
2019	4.0%	-3.9%											-0.1%

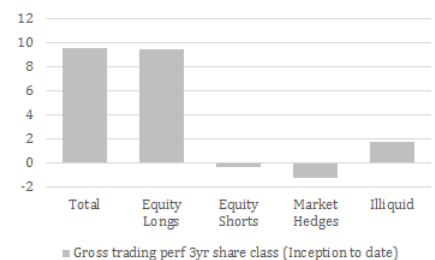
Top 5 Holdings (%)



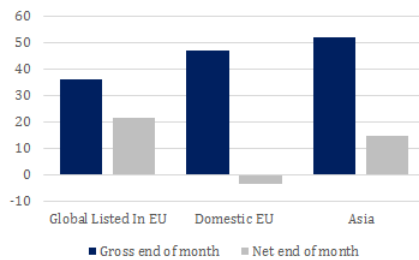
Gross vs. Net (%)



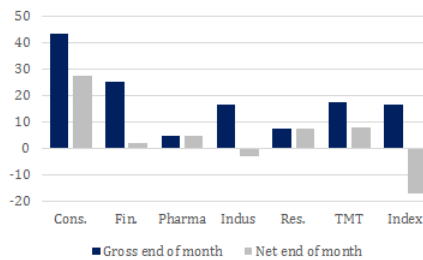
Performance Contribution (%)



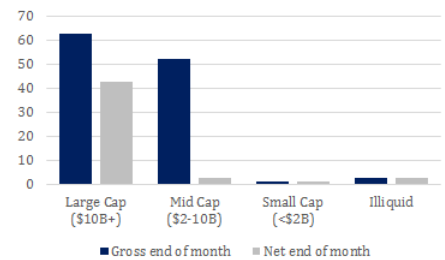
Geographical Exposure (%)



Industry Exposure (%)



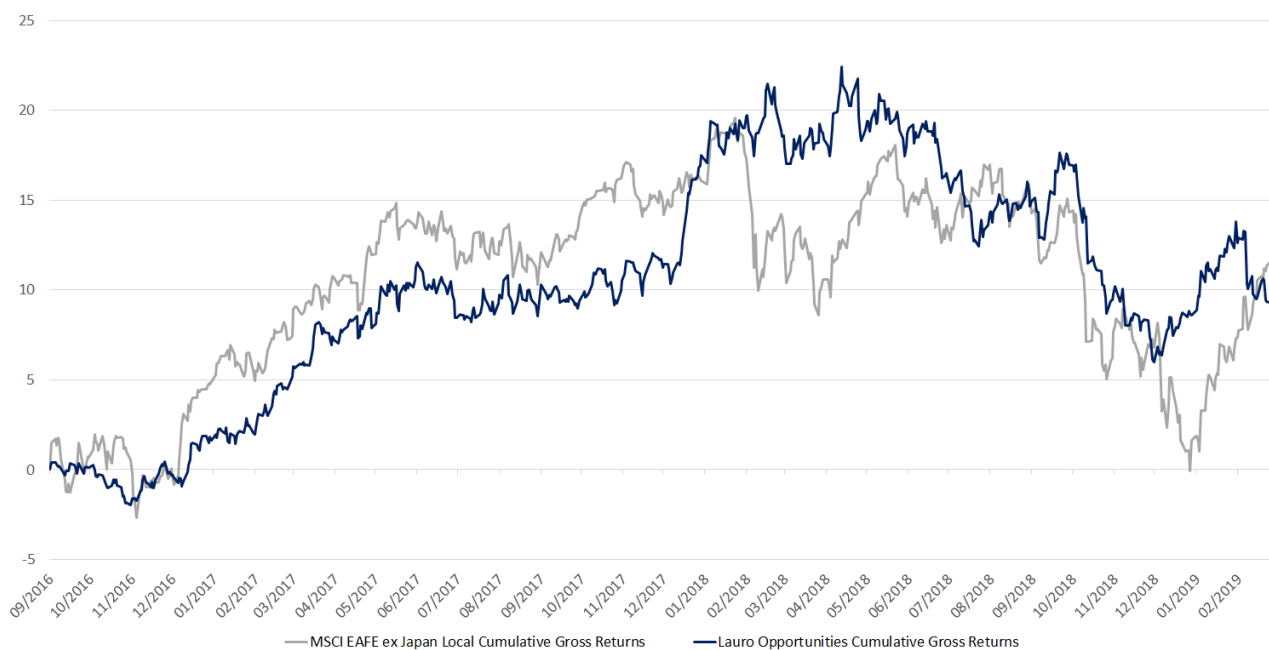
Market Cap Exposure (%)



3-Year Share Class	Target	Since Inception (Sep '16)	At End of Feb '19	Comments
• # of stocks	20-30	24	27	Concentrated Portfolio
• Long Positions	10-20	14	19	
Median Holding Period	24-36 months	17 months		Work in progress
Average Sizing	4-8%	6% / top long 14%	6% / top long 10%	Top 10 positions: ~90% of Long book
• Short Positions	5-15	10	8	
Median Holding Period	9-12 months	10 months		
Average Sizing	3-6%	4% / top short 10%	3% / top short 7%	Alpha shorts, limited use of market hedges
Gross Exposure	120% - 150%	125%	148%	
Net Exposure	20% - 50%	37%	37%	Gross & net exposures are "typical" ranges
Volatility	>10%	7%	7%	Volatility not a target but expected output
Illiquids	Up to 20%	2%	3%	First illiquid investment in Jun '17. Investors can opt in or out
Region				Predominantly Europe & Asia



**GROSS TRADING PERFORMANCE VS. INDEX**



**FEE SCHEDULE**

Share Class	Founder's	A-Share	B-Share
Initial Lock Up Period	1 year	3 years	1 year
Minimum Investment	\$500,000	\$500,000	\$500,000
Management Fee	1.5% up to \$100m AUMs 1.25% \$100-200m AUMs 1% at \$200m+ AUMs	1.5%	1.75%
Incentive Fee	15%	10%	15%
Liquidity	Quarterly soft lock up with early withdrawal fee	Hard lock up	Hard lock up
Early Withdrawal Fee	Prorated amount of unpaid management fee	n/a	n/a
Redemption Notice Period	90 days	180 days	90 days
Capacity	Available for US\$30m of AUMs	n/a	n/a
Illiquids	Up to 20% of AUMs. Elective participation at subscription	Up to 20% of AUMs. Elective participation at subscription	Up to 20% of AUMs. Elective participation at subscription

**DISCLAIMER AND RISK WARNING**

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