

Month: -0.4% gross / -0.4% net

Current total 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

**September returned -0.4% net vs. +2.4% MSCI EAFE.** The underlying trends in EAFE were broadly opposite to the previous month with Europe (+3.2%) and Japan (+3.5%) generating the bulk of the returns and Asia ex Japan underperforming (-0.4%). Unfortunately, we did not capture any of the performance of a stronger Europe.

**Key drivers of performance:** You would expect our concentrated business model to lead to marked contributors or detractors each month. September was certainly an exception with no single name contributing or costing in excess of 50bps of performance. At the margin, performance leaked out of some of our large positions in GSK, Pandora and TUI, but without any specific news behind the underperformance. We did what we know to do best in these situations, wait patiently & continue to do more work to increase our conviction levels. We increased our position in TUI in this instance, on the back of strong quarterly results & confirmation of our investment thesis.

**On the trading front,** we exited a few positions that had either paid us or where the investment case had changed (taking profits in Atlantia & Singapore Press after it hit our price target and closing CNOOC & OCBC as the investment case changed). We used the weakness in some names & expanding asymmetry to continue to build others (Zhou Hei Ya, Sandfire).

We talked about the opportunity in Zhou Hei Ya last month, let's cover **Sandfire (SFR AU – A mid-tier copper miner based out of Australia)** this time around. Sandfire is a pure value play where we think the market isn't connecting the dots properly when it comes to the embedded reserve base & option value of the Doolgunna region:

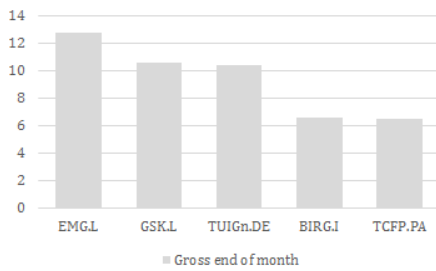
- **High quality assets at the bottom of the cost curve.** The DeGrussa mine and Monty discovery are high grade ore bodies delivering circa 5% and 9% copper grades. We expect the cash flow to significantly outperform markets expectations & the option value of finding another high-grade mine in this volcanogenic massive sulphide deposit is not embedded in the current share price;
- **At the current valuation we are acquiring the company for the in-situ value of the reserve base** and for every 1-year extension of the mine life, this adds +20% to the DCF. With copper forecasts over \$3/lb, we would expect the mine life to extend naturally beyond its current 5-year profile;
- **Potential for significant cash returns to shareholders** – With the cash pile growing and a disgruntled shareholder base, management will be under increased pressure to distribute incremental cash back to shareholders. Cash represents ~10% of the market cap today, we estimate this will grow to ~50% by 2020;
- **Valuation is compelling at around 7x 2018 PE** with upside from the copper price. The asymmetry is attractive with 30% upside on our current forecasts (ex out value of franking credits) vs. limited absolute downside;

YTD Net Performance 3-year Share Class (%)

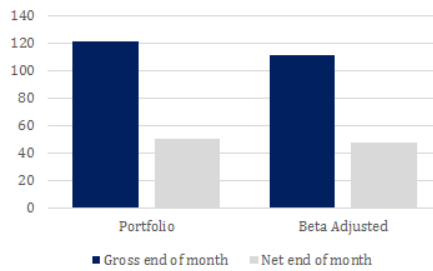
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016									0.0%	-2.3%	1.5%	1.7%	0.8%
2017	0.1%	2.6%	1.5%	0.4%	2.7%	-2.5%	0.4%	0.3%	-0.4%				5.0%



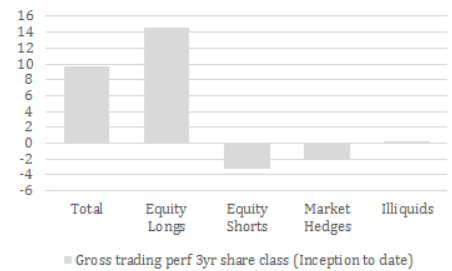
Top 5 Holdings (%)



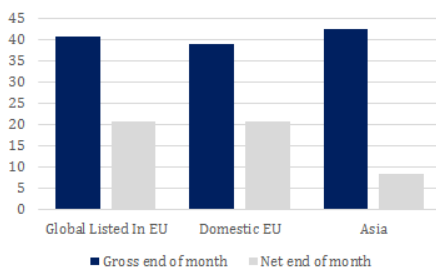
Gross vs. Net (%)



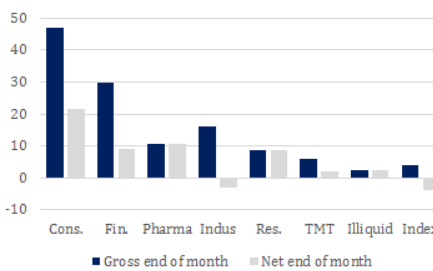
Performance Contribution (%)



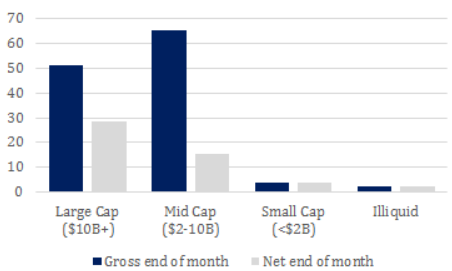
Geographical Exposure (%)



Industry Exposure (%)



Market Cap Exposure (%)



3-Year Share Class	Target	Since Inception (Sep '16)	At End of Sep '17	Comments
• # of stocks	20-30	22	22	Concentrated Portfolio
• Long Positions	10-20	13	13	
Median Holding Period	18-24 months	13 months		Work in progress
Average Sizing	4-8%	6% / top long 14%	6% / top long 13%	Top 10 positions: ~90% of Long book
• Short Positions	5-15	9	9	
Median Holding Period	6-9 months	10 months		
Average Sizing	3-6%	4% / top short 8%	4% / top short 6%	Alpha shorts, limited use of market hedges
Gross Exposure	120% - 150%	118%	120%	Gross & net exposures are "typical" ranges
Net Exposure	20% - 50%	39%	48%	
Volatility	>10%	6%	4%	
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 3-Year Share Class	-0.4%	5.0%	6.7%	0.8%	5.9%	5.7%	1.3	39%	118%	-2.5%	77%
Lauro 1-Year Share Class	-0.4%	5.5%	7.4%	-6.4%	-1.2%	6.0%	0.3	36%	113%	-3.4%	52%

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



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**Cumulative  
Gross  
Returns  
3-Year Share  
Class (%)**



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