Month: +0.1% gross / -0.1% net **Total AUMs: US$51m**

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

MONTHLY HIGHLIGHTS

August saw the fund finishing -0.1% on a net basis vs. -2.0% for the MSCI Europe Local index. August was a tale of two halves. In the first half of the month, escalating US/China trade war tensions and protests in HK, increasing likelihood of "no deal" Brexit, Italian overhang from Salvini's party exiting the coalition of convenience all led to nervousness in European markets. Add to this the continued deterioration in economic fundamentals globally and at one point, the MSCI Europe was down -5.5%. In the end, a constructive G7 summit by recent standards, continued dovish noise out of global central banks and some softening in the trade war rhetoric saw the markets recover sharply and finish down -2.0% overall.

Key contributors/detractors: Our shorts performed exceptionally well over the month delivering ~400bps of performance. Of note is our large Global Asset Management short reporting inline earnings but worse than expected outflows resulting in the stock down 21% (~140bps). Similarly, our large UK business services short delivered poor organic revenue growth and earnings vs. expectation – stock down 6% (~50bps). The long side of the book held up relatively well against the market backdrop and what could have been a great month ended up as a good month only as (a) AIBG was down a further 26% (~200bps) on the back of disappointing results & Brexit anxiety (see below for review) and (b) a disappointment at the cash flow level for ISS down -9% (~40bps).

On the trading front, given the heightened volatility we were more active across the portfolio. We added to alpha short positions (German Leasing company & UK Real Estate portal) as well as to some of our bespoke basket hedges. We also covered some of the shorts post the large falls in respective prices (Travel hedge, Global Telco, UK Business Services and Global Asset Manager). On the long side, we built our positions in Man Group & Ströer further on the back of general market weakness.

AIBG – Is the Investment Case Broken? Our investment is predicated upon the strong cash flow generation of the retail bank and potential large cash return opportunity from an over-capitalised bank (more detail in our Jul & Oct '17 newsletters). What happened?

- **H1 numbers poor** vs. expectations and in particular Q1. Some of it was known (margin compression from lower rates) and some of it new (higher costs than expected)
- **Overzealous regulator bullet proofing the banking system** – The TRIM (Targeted Review of Internal Models) issued by the central bank was punitive and led to a 90bp hit to the CET1 of the mortgage book. The adoption of new provisioning rules (pre the sell down of NPEs) translates into a further 50bp hit to the 2020 CET1. Add to this a discussion of a further systematic risk buffer of 100bps on top of the 100bp Counter Cyclical Buffer from last year and you get the picture
- **Fears around a European recession and a hard Brexit** led to a disorderly exit of all things Ireland

Irish banks continue to pay for the sins of the past with the regulator essentially putting buffer upon buffer of protection. **This dilutes our investment case and accordingly our price target.** However (a) we believe the capital return investment case remains intact and (b) at 0.5x book, the risk/reward is too attractive to ignore (70% upside after our target price revision). **We retain our position and look forward to being paid over time.**

KEY FIGURES END OF MONTH

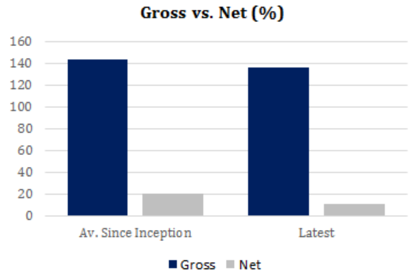
Lauro was launched in Sep '16 with a EU & Asian portfolio. Below is (a) the carve-out of the EU Long/Short until 01/04/19 when the transition to a full EU Long/Short was completed and (b) the net performance afterwards

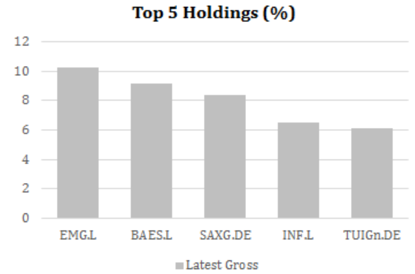
Gross Trading Performance Europe Long/Short carve-out

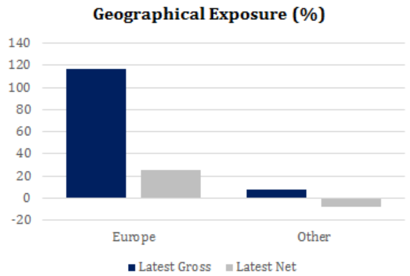
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LAURO	MSCI EU
2016									-0.1%	-2.9%	0.4%	4.0%	**1.2%**	**5.1%**
2017	-1.4%	4.0%	1.1%	-2.1%	4.3%	-3.6%	2.4%	1.7%	-2.1%	1.6%	0.1%	5.7%	**11.7%**	**10.0%**
2018	2.9%	-2.2%	1.7%	4.0%	-0.6%	-1.9%	0.5%	-0.4%	3.9%	-5.1%	-3.7%	1.7%	**0.1%**	**-13.1%**
2019	0.7%	-3.7%	-1.0%										**-4.0%**	**10.7%**

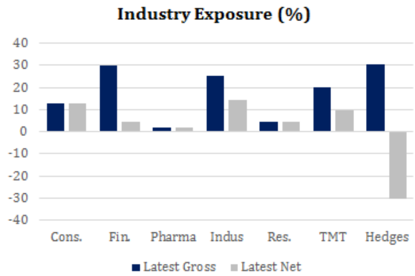
Net Performance - Lauro Opportunities Europe (%)

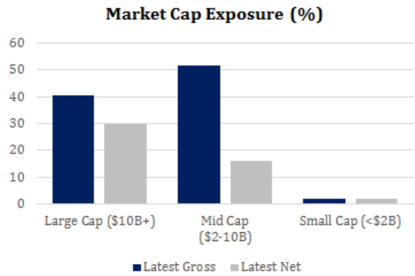
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	LAURO	MSCI EU
2019				3.3%	-2.8%	2.3%	2.4%	-0.1%					**5.0%**	**0.1%**
												Annualised Rate of Return	**12.1%**	**0.2%**
												Annualised Volatility	**7.3%**	**11.5%**

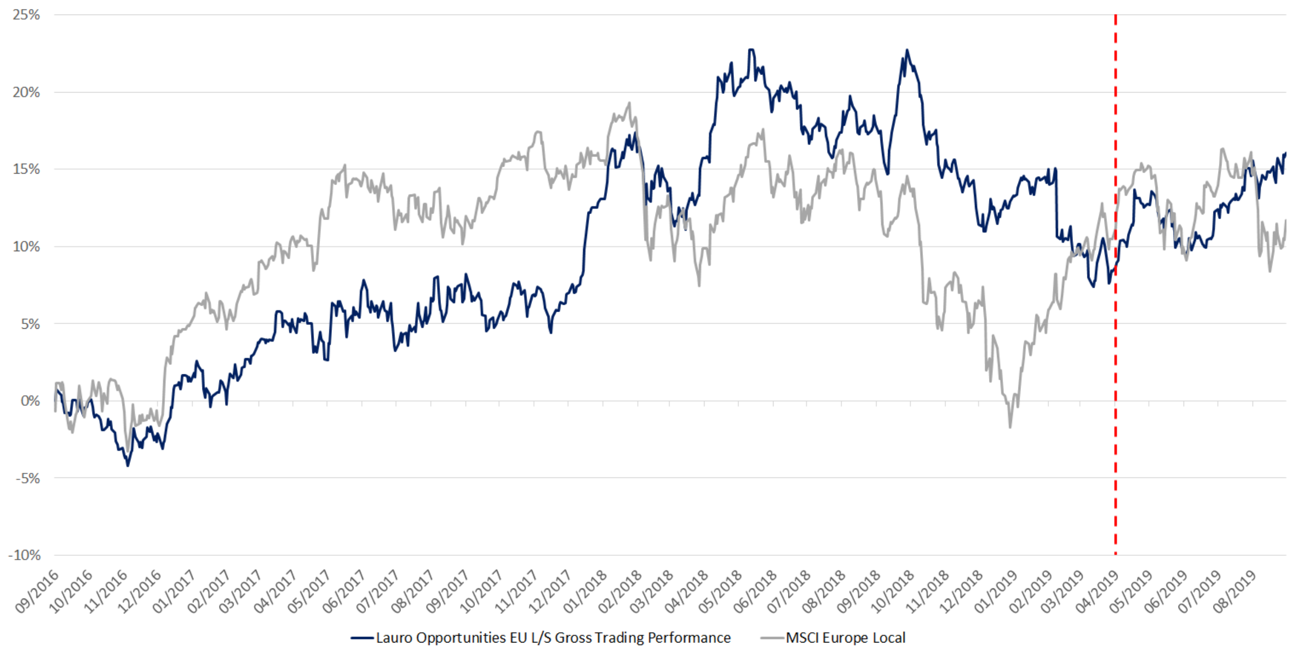












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These fund returns are calculated for a representative investor (invested since the inception in A-shares, our main product). Actual returns may vary based on investment timing, fee and share class differences. Net returns reflect the deduction of management fees, incentive fees and all fund expenses.

Past performance does not guarantee future results. A portfolio could suffer losses as well as achieve gains. Future returns are not guaranteed and a loss of principal may occur.

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