Month: +1.3% gross / +1.1% net **Total AUM: US$52m**

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. We work to maximise the idiosyncratic nature of our returns through our active engagement with management teams.

MONTHLY/YEARLY HIGHLIGHTS

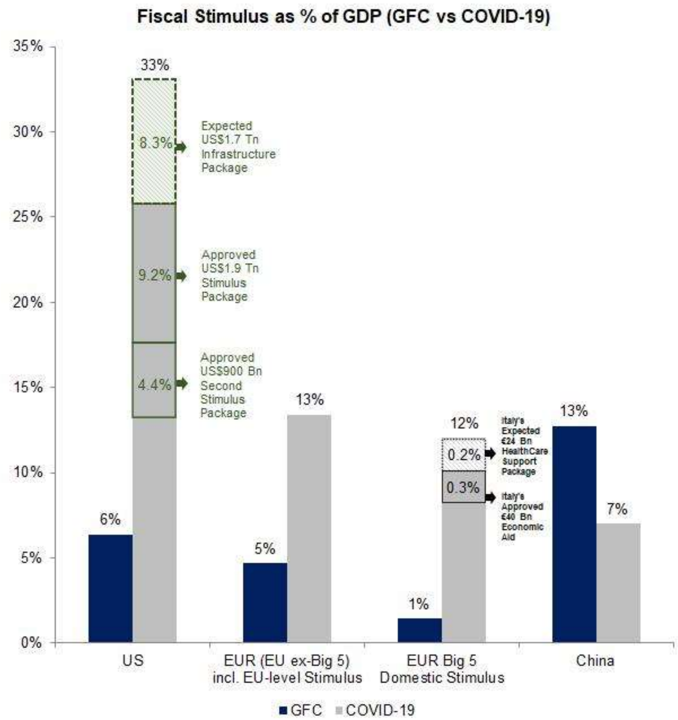
We finished the month of April +1.1% net vs. +2.0% for the MSCI Europe Local index. Sentiment continues to remain positive as the European markets are firmly moving towards opening up their respective economies with the UK leading the way in relation to moderating cases and in particular, the vaccination rate. Mainland Europe has more recently accelerated its rate of vaccination and at this stage lags the UK and the US by a few months. Economic activity continues to surprise to the upside in developed economies as a consequence. We remain conscious of the uncertain environment where new Covid variants are leading an acceleration of infection rates in India and EM. Undoubtedly the disruption associated with Covid-19 has led to supply bottlenecks in manufacturing and logistics leading to higher prices which is increasingly becoming a concern for markets (please see inflation discussion below). Our portfolio remains tilted towards beneficiaries of a strong global economy (materials, banks) at one end and franchises with pricing power and the potential for accelerating earnings (Business publishers, testers) at the other.

Key contributors/detractors. The month exhibited a pleasing earnings season for the fund with several of our key positions outperforming expectations RELX (+72bps), Anglo (+76bps) and Vinci (+50bps). Orpea also contributed positively as it bounced from oversold territory in the previous month. Tesco, which delivered better than expected full year results, gave less ambitious guidance resulting in the stock underperforming (-46bps). On the short side, disappointing earnings from our global elevator short led to a positive contribution (+35bps). There were however detractors on the short side: our French retail property company short as re-opening sentiment improved (-39bps), index short SDAX (-47bps) and Internet basket (-40bps).

On the trading front – We added to Orpea, Nexi and Ströer on recent weakness whilst top slicing our positions in mining and banks. We initiated a short in a clean energy utility post their poor results.

"Much ado about Nothing" – a controversial headline around the all-important factor associated with inflation? As a stock fund we tend to talk about stocks in these monthly notes however with several of our clients enquiring as to our view on inflation we thought it a useful time to discuss our view and what it means for the portfolio (leaving the exciting investment case on Nexi for next month's edition). Europe has grappled with deflation since the GFC and the prospect of inflation and higher inflationary expectations maybe seen to be a welcome anomaly for policy makers and the ECB. We think the market is still discounting deflation in Europe, with the European banks trading at 0.7x book, ascribing limited value to their deposit franchises.

The real issue sits in the US, reflecting the sheer magnitude of the US' fiscal response relative to the GFC and importantly versus the RoW.



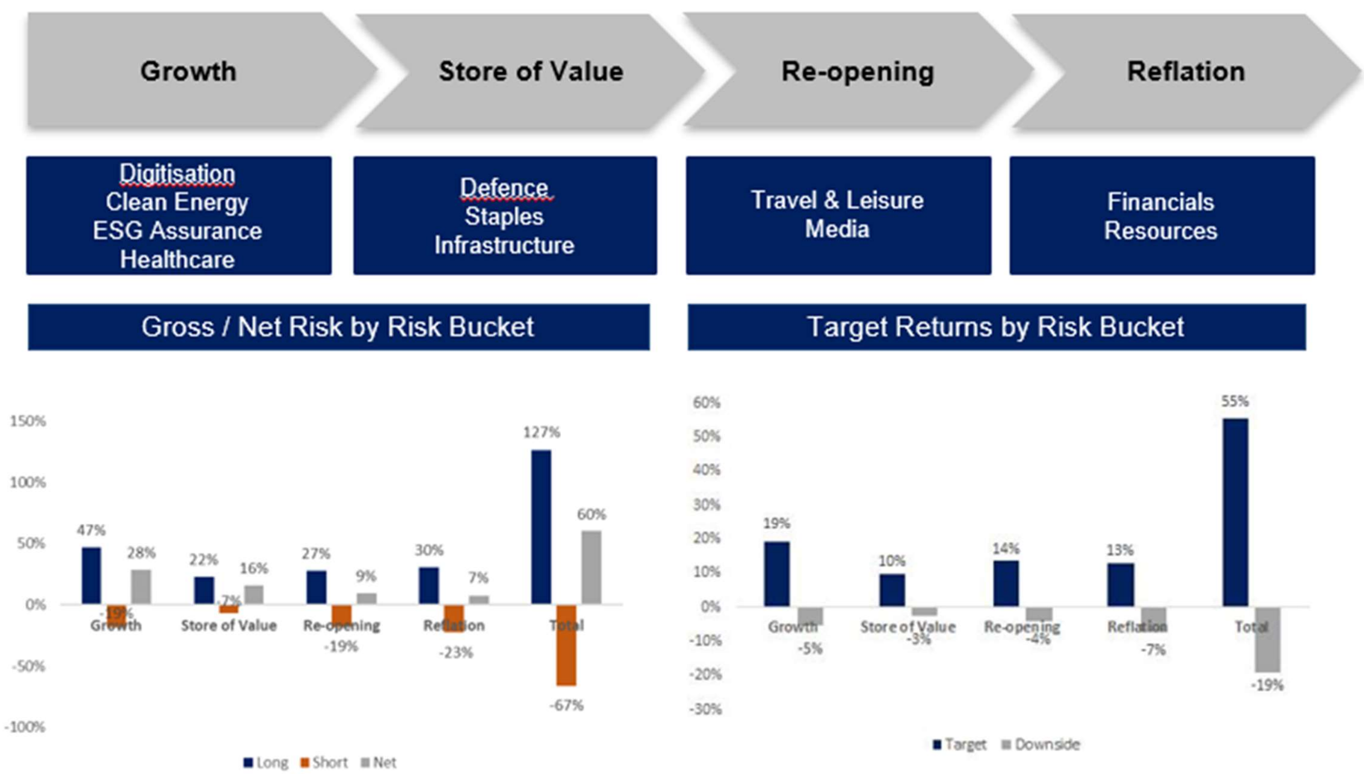
Source: Lauro Estimates

Governments globally have one strategy in dealing with the scars / debt associated with the pandemic – **Inflating away the debt – FINANCIAL REPRESSION.** To implement financial repression, 3 pillars are required via government policy: – selective / stimulative credit policies instituted through the banking and financial systems, the manipulation of interest rates and the implementation of industrial policy through government spend (EU Green Deal). All 3 of these policies are in place at the moment to varying degrees. We think at this stage the best way to monitor the success / failure of this strategy and the markets pricing of this issue is reflected in the 10 year Tips curve outlined as follows:

Source: St Louis Federal Reserve

We expect the TIPS rate to continue to trade within the 0 to -1% tram track with the current level of liquidity in the system suggesting a continued constructive view on equity. The starting point for the US is also worth debating as government and private sector debt are at all-time highs whereas the consumer (the engine of growth) is in great shape – deleveraging since the financial crises, with the highest savings rate for decades, immense wealth built (stocks and house prices at all-time highs) and an appetite to spend. There is a risk that market participants are calling the end of the party before it starts.

We are believers in inflation and ultimately, we believe we have seen the end of the 40-year downward cycle in interest rates. Beyond the simple weight of money argument, the velocity of money and commodity price inflation, there are many other contributing factors which should lead to higher prices. An adjustment in globalisation is likely to happen post pandemic and importantly, the implementation of ESG requirements reflects an increase in policy and regulations pushing costs higher. **In every meeting we have with corporates, we are asking 2 questions – what is your ability to differentially price? and what is the control over your cost base in a high inflationary environment?** We have accordingly built an inflationary barbell around these key drivers both on the long and short side of the portfolio outlined as follows:



YTD in gross terms the portfolio is broadly flat versus a market +9% suggesting underperformance versus the net. Within this the reflation bucket (Financials & Resources) which represents over 30% of gross (ie 60% / 187%) has generated around 7% gross returns. This suggests the remaining 70% of the gross (ie 123% / 187%) has broadly generated -7% returns. In reviewing the portfolio **we see similarities to the events entering November last year where portions of the portfolio were failing to perform despite demonstrable improving underlying fundamentals.** We think this again resonates with core names in the portfolio today including:

- **RELX** – Upside potential for substantial upgrades ex exhibitions of the core STM (Science), Risk and Legal business into the H2. The stock is trading at a significant discount to its peer group and our intrinsic value.
- **Ströer** – The German Govt's hard lockdown caused marginal earnings downgrades. We expect a strong recovery in earnings into H2 as Germany re-opens. Importantly, Ströer has underperformed the global OOH advertising sector despite it retaining the strongest market position.
- **Nexi** – Italian payments company initially underperformed post conservative guidance at the FY as well as issues around perceived valuation of growth companies in Europe. As recently announced deals (Nets / Sia) are closed, combined with the significantly stronger than expected underlying payments growth in Italy, we expect the stock to catch up relative to its revenue and earnings trajectory into 2021 and 2022.
- **Orpea** – the stock has underperformed reflecting concerns around Covid-19 infections within nursing homes in Europe. The management of Orpea have done an excellent job in vaccinating residents within their network and we expect this normalisation to be reflected in H2 results in particular its Clinics business. Management continue to execute on a growth strategy recently completing an attractive bolt-on acquisition in Ireland.
- **Tesco** – underperformed its peers in the UK despite the significant capital returns post the Asia franchise sell down. We think that management in particular has done an exemplary job around Covid-19 and will exit in a significantly stronger position versus pre-crisis. In the short term the potential for staycations in the UK, re-opening of restaurants / catering driving the Booker business and writebacks in Tesco Bank are likely to lead to a strong end of year earnings performance versus expectations.

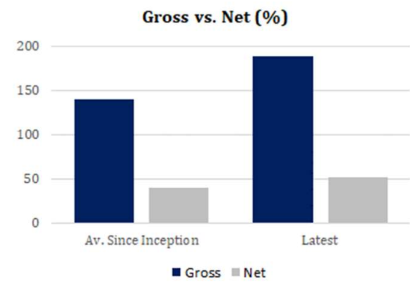
In line with our process, we have used market weakness to build on these positions particularly as we see attractive asymmetry around these core names. Importantly and reflected in the above each of our large positions has pricing power in its core franchise and is likely to benefit (at least in the initial instance) from higher inflationary forces. In effect we have built a barbell around inflation with direct exposures to inflationary beneficiaries (Banks, Resources) whilst building a portfolio of high quality, strong cash flow compounding stocks. While we remain vigilant around some of the effects of higher inflation, we think the portfolio is well placed going into a higher inflationary environment.

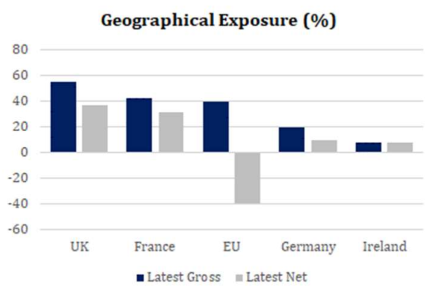
We review **the key risk to the portfolio and to markets generally as the unquantifiable risk of a more virulent and pernicious variant of the virus neutralising the benefits of vaccinations.**

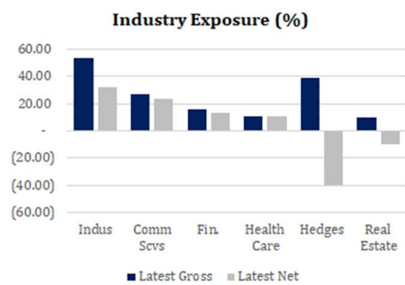
KEY FIGURES END OF MONTH

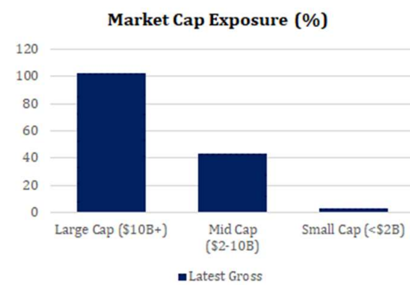
Net Performance Lauro Opportunities Europe Fund

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%	1.0%	-3.1%	-0.4%	0.2%	**2.6%**	**8.4%**
2020	-2.6%	-2.5%	-3.4%	-0.2%	2.2%	-3.8%	0.1%	4.2%	0.7%	-6.6%	15.7%	4.4%	**6.7%**	**-4.3%**
2021	-5.3%	1.7%	1.4%	1.1%									**-1.3%**	**9.1%**









DISCLAIMER AND RISK WARNING

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.

Lauro Asset Management Pte Ltd believes the source of the information and content in the communication to be reliable however it cannot and does not guarantee, either expressly or impliedly, and accepts no liability for the accuracy, validity, timeliness, merchantability or completeness of any information or data for any particular purpose or use or that the information or data will be free from error.

Lauro Asset Management Pte Ltd does not undertake any responsibility for any reliance which is placed by any person on any statements or opinions which are expressed herein. Neither Lauro Asset Management Pte Ltd, nor any of its affiliates, directors, officers or employees will be liable or have any responsibility of any kind for any loss or damage of whatever nature that any person may incur resulting from the use of this information. No reliance may be placed for any purpose on the information or opinions contained in this communication.

The content in this communication is intended only for actual or prospective investors in the Lauro Opportunities Fund who continue to meet the definition of qualified and or accredited / professional investors.

The content of this communication is strictly confidential and for background and information purposes only. The content has not been audited for veracity, factual accuracy or completeness by Lauro Asset Management Pte Ltd. The content does not purport to be full or complete.

No part of this communication may be copied, reproduced, disclosed or published in any manner whatsoever without the prior written permission of Lauro Asset Management Pte Ltd.

This communication does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase, any shares or any other interests in any jurisdiction or to any person, nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

The Fund has appointed Acolin Fund Services AG, 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1208 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares shall be distributed exclusively to qualified investors. The fund offering documents, articles of association and audited financial statements can be obtained free of charge from the Representative. The place of performance with respect to shares distributed in or from Switzerland is the registered office of the Representative.

In the United Kingdom, this communication is issued by Lauro Asset Management UK Limited ("Lauro UK") and approved by Robert Quinn Advisory LLP, which is authorised and regulated by the UK Financial Conduct Authority ("FCA"). Lauro UK is an Appointed Representative of Robert Quinn Advisory LLP.

This material constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 (the "Act") and the handbook of rules and guidance issued from time to time by the FCA (the "FCA Rules"). Lauro UK neither provides investment advice to, nor receives and transmits orders from, persons to whom this material is communicated, nor does it carry on any other activities with or for such persons that constitute "MiFID or equivalent third country business" for the purposes of the FCA Rules.

All information provided is not warranted as to completeness or accuracy and is subject to change without notice. This communication and any investment or service to which this material may relate is exclusively intended for persons who are Professional Clients or Eligible Counterparties for the purposes of the FCA Rules, or fall into a relevant category under COBS 4.12 in the FCA Rules and other persons should not act or rely on it. This communication is not intended for use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.