WS Lancaster Global Equity

Portfolio Manager Report

Introduction

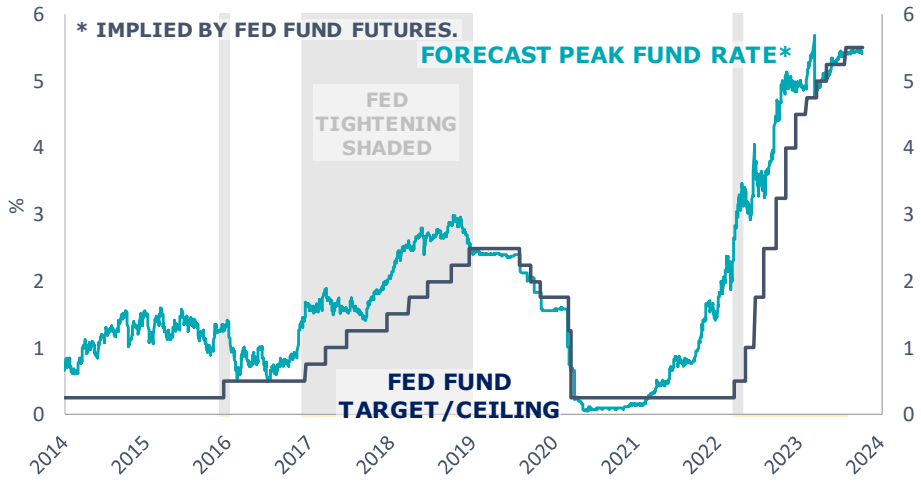
The Fund returned +6.0% in Q3-23 versus the MSCI Daily TR Net World Index +0.6% over the same period. This relative outperformance came despite the fund being forced to raise significant cash levels following uncertainty around the wider strategy's service providers early in the quarter. Now, though, financial third-party relationships are all working normally, the funds exposures and positioning is where we want it to be and the investment team has successfully moved across to Lancaster Investment Management LLP. Generally, equity markets struggled to make progress over the quarter with a backdrop of rising yield curves and weak Chinese macro.

Whilst we would not have chosen to have gone through the experience of the past few months there have been some positives to take away from it. Retrenching to high cash levels is always a healthy process to go through as you remove any emotional tethering and once the frictional cost of exiting positions has been spent it allows you to just focus purely on fundamentals. There have not been any material changes in the portfolio but we will not be re-entering into any of our micro caps as we try harder than ever to refocus on only our highest conviction and most liquid ideas. It is also worth saying that having now all spent time working in the Lancaster offices we are delighted to have made it our new home.

Macro

It was a quarter where the US economy continued to surprise to the upside. This resulted in a strong quarter for the dollar, rising yield curves and rising real rates as inflation generally came down faster than expected. It is astonishing to step back and remind ourselves how large the upgrades have been for peak rates this cycle. Despite seeing the cost of capital rise so sharply the market absorbed it calmly with most financial volatility being very subdued over the summer months.

Exhibit 1: Fed target and peak rate priced by Fed Fund Futures (%)



Source: Minack Advisors

Performance

2.2% Monthly performance

-5.6% Year-to-date performance

8.1% CAGR since inception

These figures refer to the past. Past performance is not a reliable indicator of future results.

Fund details[1]

£ I Acc Class	255.30
£ I Inc Class	230.99
£ R Inc Class	5121.79
£ R Acc Class	95.86
Fund Size	£79 million
Strategy AUM	$1,146 million
Fund Inception	06 Aug 2002
Class Inception	06 Aug 2002
Fund Type	UK Long Only UCITS
Benchmark	MSCI Daily TR Net World GBP
Base Currency	GBP

Portfolio Managers

James Hanbury

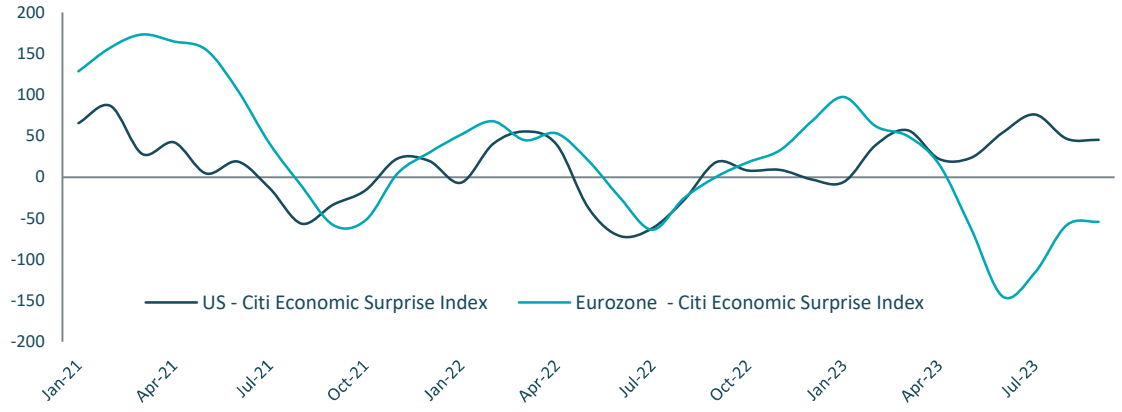
Jamie Grimston

Source: All sources, unless otherwise stated, are Lancaster IM internal unaudited data and refer to the £ R Inc share class. All data shown as at 29 Sep 2023.

[1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested.

The economic surprise index of the US, which was positive throughout the quarter, was in in sharp contrast to the Eurozone.

Exhibit 2: US and Eurozone Citi economic surprise indices

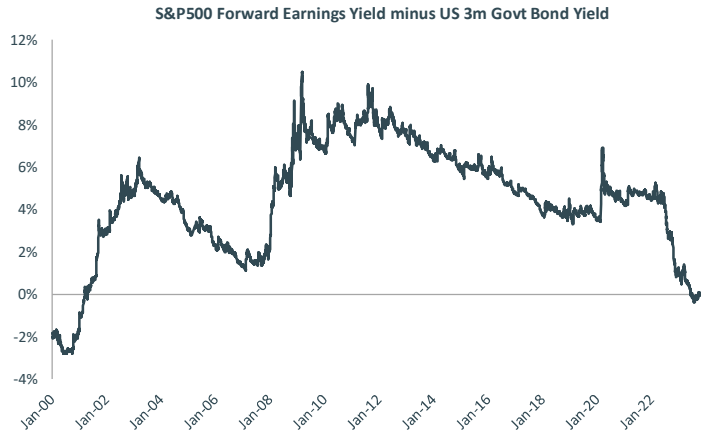


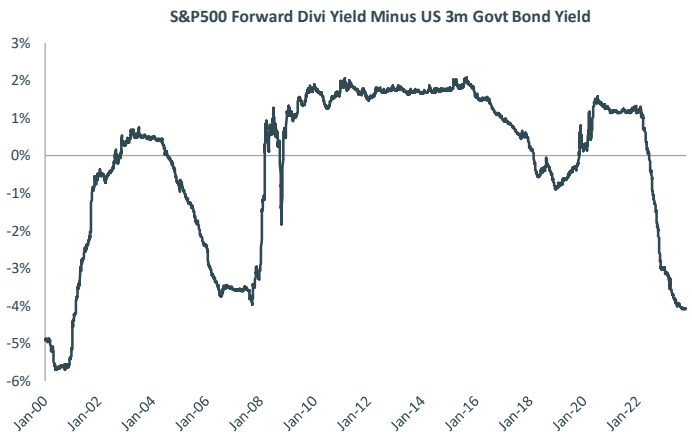
Source: Citigroup, Bloomberg

Some of the relative economic weakness in Europe is linked to weaker goods exports and lower business and residential investment. That said, the US and European consumer has reacted very differently to the period of weak real earnings. The US consumer has drawn down savings much more than the consumer in Europe. Likewise, the US government has also helped growth more by running a larger fiscal deficit this year; c.4% of GDP higher than Europe. Both are behaviours that can't be regularly repeated and are essentially pulling forward demand. We generally prefer the political set up in Europe versus the US, where it is proving to be quite dysfunctional. A future headwind unique to the US is that student loan payments (principal and interest) will start in October after a 3 year holiday. These student loans represent $1.6 trillion in aggregate with 43m borrowers and average payments will be $413 per month. A consumer survey done by the Federal Reserve last year found that 37% of Americans lacked the savings to cover an unanticipated $400 expense. What we don't know is how well consumers have factored this in.

Generally, a stronger than expected economy should be a good backdrop for equities yet the US stock market is not well set up for a 'higher for longer' rate environment due to the starting point of its headline multiples. Furthermore, the US stock market faces strong competition for capital from cash. For many years now QE drove the mentality of 'there is no alternative' but the charts below show this now not to be the case. Equity risk premiums have fallen dramatically and the spread between earnings yields and dividends vs cash returns have now gone negative. In the short term the market focuses on quarterly results yet with yield curves where they are, there is now a structural pressure on the market for the first time in many years. We believe the US stock market is far more vulnerable to higher rates than Europe due to the difference in the relative multiples of each market.

Exhibit 3: spread between the earnings yield (l) and dividend yield (r) of the US market and the 3-month cash rate from 2000

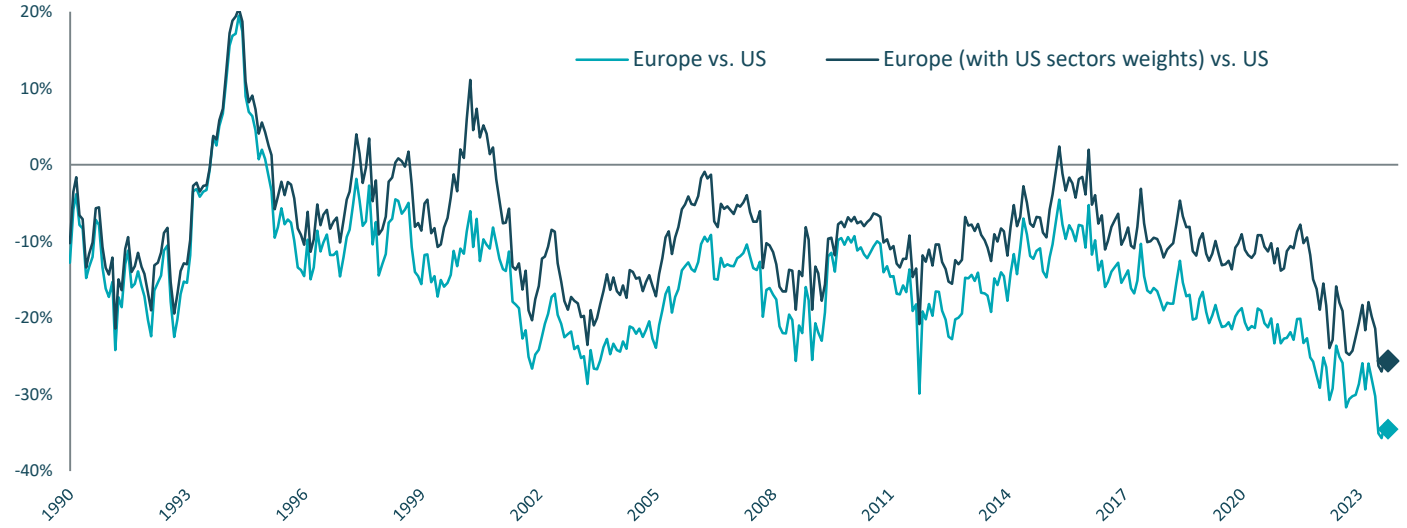




Source: Bloomberg

Historically the US stock market has a -65% correlation with the 10-year yield, but so far this year it has been a positive correlation of +56% which has created the move seen in the charts above. Only in the past few days of the quarter did the market seem to be starting to price in the higher cost of capital.

Exhibit 4: European PE discount to the US, headline and sector weight adjusted

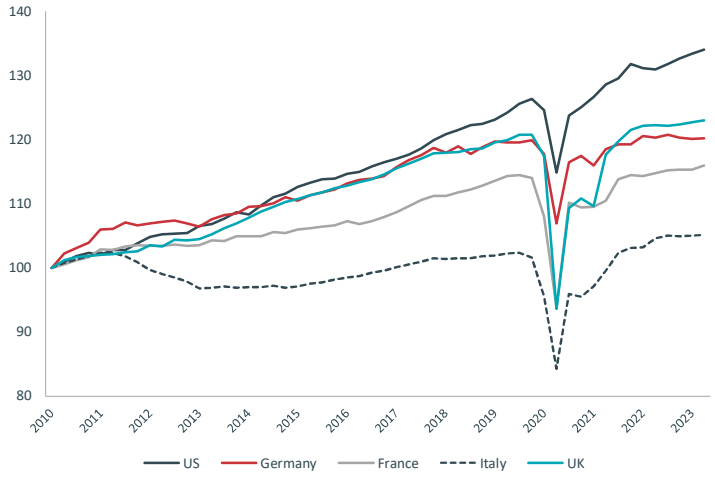


Source: Goldman Sachs

The UK had a good quarter from a macro perspective. Inflation crucially has fallen faster than expectations. This was important as there was a bear chorus saying that due to Brexit UK inflation would surprise to the upside this year. The UK also saw some major GDP revisions from the ONS which marked up post-COVID growth by c.2% and this is meaningful as it shows that the UK growth has in fact been ahead of the European average since the beginning of COVID. Exhibit 5 below is also a surprising reminder for some of how UK growth compares to other major western economies since 2010.

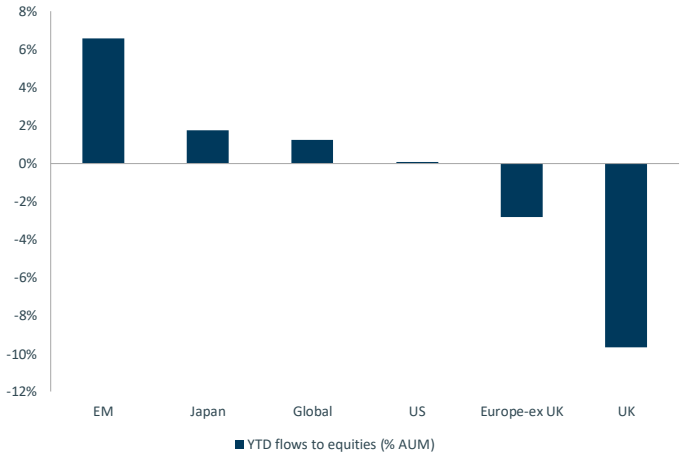
In the last quarter of this year UK real disposable income is forecast to turn positive and is forecast to be c.2% for next year. Given the fundamentals and the valuations we continue to have a large overweight to Pan Europe and an underweight to the US. Exhibit 6 below shows how Europe continues to be unpopular with investors, with the UK being at the bottom of the pile, this clearly highlights the opportunity with a high wall of worry to climb.

Exhibit 5: selected countries real GDP growth 2010–23 (2010 Q1 = 100)



Source: Lazarus Economics

Exhibit 6: UK has seen the biggest outflows among the major regions ytd



Source: Barclays, EPFR

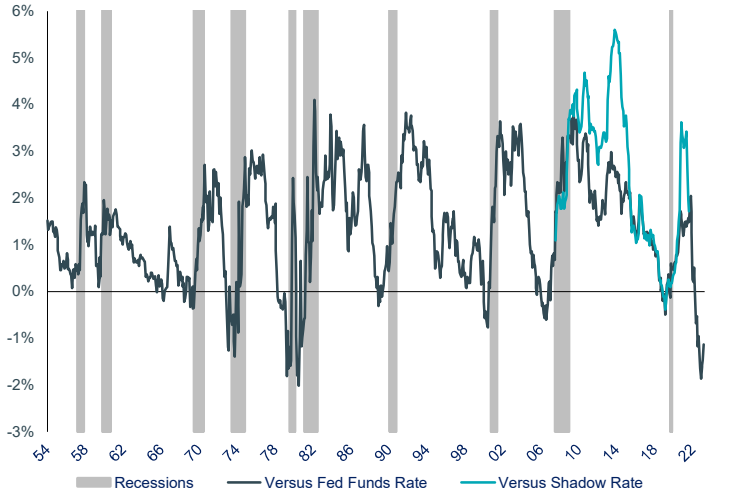
Our underweight position to the US equity market is in part due to our being relatively less confident on US domestic growth and, partly a function of what we perceive as higher multiple risk. The Russell 2000 index trades on a 21x forward PE multiple with 40% of its constituent companies being loss-making. On top of that nearly half of the loss-making companies have net debt. Whilst the refinancing profile of the Russell 2000 looks fine in isolation, the concerns are more around covenants particularly with 31% of the debt being floating. This is consistent with a June 2023 research paper written by the Federal Reserve economists which stated that 37% of non-financial companies in America are in 'financial distress', which is defined as close to default. Not a great set up for a QT world.

Whilst the market has become more relaxed about a hard landing in the US we feel that the higher yield curve increases the probability of meaningful stresses developing in the economy. There are very few indicators that have a decent track record of predicting recession, the inverted yield curve is one of the few so a smooth glide path from here would defy history.

Exhibit 7: % of companies that are loss making in the Russell 2000

Source: Goldman Sachs

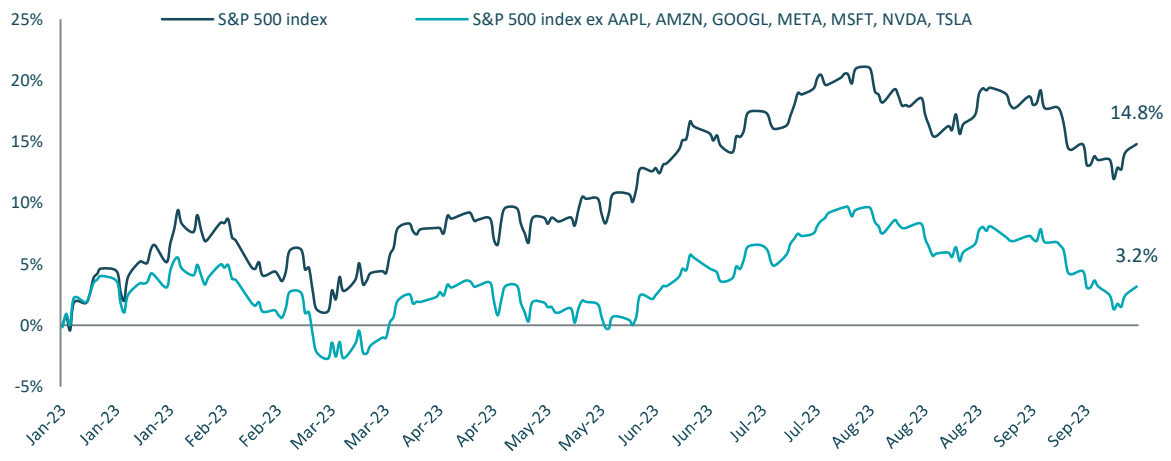
Exhibit 8: 10Yr Bond Yields vs. Federal Funds & Shadow Rates 1954-2023



Source: Federal Reserve Board, FRB of Atlanta, Bureau of Economic Research.

It has clearly been a large headwind for the fund this year but we continue to believe that European stock markets are providing much better opportunities than those in America. It is astonishing how the 'Magnificent 7' have provided all of the positive performance in the S&P500, we do not currently own any of them and find their multiples (average forward P/E 38x vs. consensus EPS growth 27%) hard to justify.

Exhibit 9: S&P500 cumulative YTD 2023 return with and without the Tech Titans contribution



Source: Bloomberg

Every rising rate cycle there are particular sectors of the economy that face a crisis with varying degrees of significance. We continue to believe that the broader private equity space is among the most vulnerable this cycle; and we see an increasing probability that private equity's problems cause considerable collateral damage to the rest of the economy. In our view the market continues to underprice this risk.

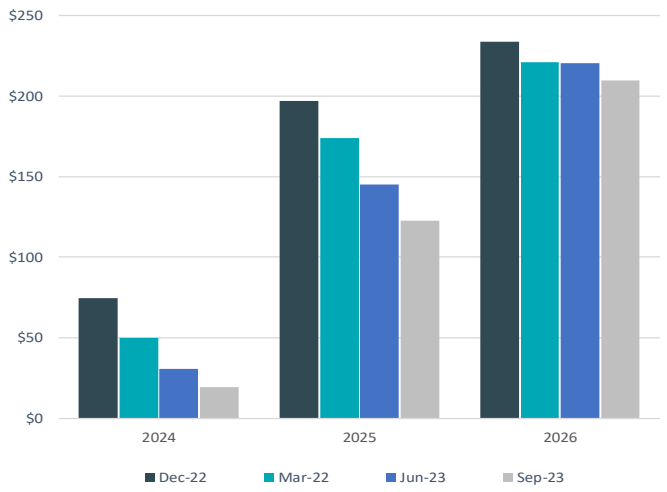
The scale of the private equity industry is systemic with greater than $21trn exposure across equity and debt in private equity, private debt, infrastructure, and real estate funds. Growth has been exuberant with a CAGR of 15% over the past ten years, accelerating to 17% over the last five years and to 22% over the last three years. Against this backdrop of unprecedented scale and late-cycle growth, we note that all the major factors driving a 30-year secular bull market across the economy have now reversed: falling rates, increased access to credit on ever more favourable terms, and increasingly generous valuations.

Straightforwardly, the current situation of rising rates and widening credit spreads challenges the private equity business model. It is now materially more expensive for these businesses to finance or refinance their deals; and as valuations and cash flows come under pressure from higher cost of debt, the equity valuation in leveraged companies gets squeezed. Generally, over the past cycle the private equity industry has made investments where valuations are most exposed to rising rates; technology, biotech, real estate, infrastructure and renewable energy. Meanwhile, we estimate floating rate debt accounts for over 70% of borrowings from private equity-linked companies.

The industry did well to exploit low rates and refinance much debt around COVID; but in our view it is poorly understood that this was only a temporary and partial fix, and that over the next 12 months from here, the industry will start to face a wall of refinancing requirements that will last for the next several years. Also, commentators often seem to overlook the fact that in order to be signed off as a going concern, a borrowing corporate must refinance its debt 12 months in advance of maturity.

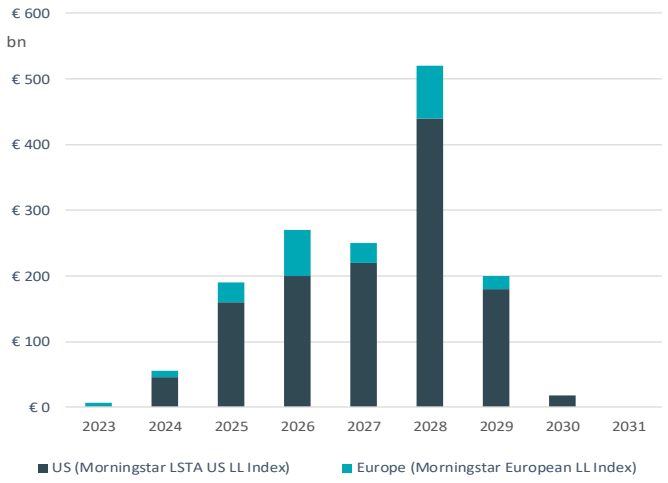
Accordingly, we take little reassurance from the successful deferrals of maturities in 2023-24, and instead focus with concern on those in 2025. These are the important ones that will set the trajectory for the private markets industry from here and threaten the economy more broadly. We note for example that outstanding leveraged loans due to mature 2025 today are c.67% higher than were 2024 maturities four quarters ago.

Exhibit 10: US leveraged loan maturity wall (2024-2026)



Source: Morningstar LSTA US Leveraged Loan index; LCD as at 22-Sep-23

Exhibit 11: Leveraged loan outstanding maturity profile



Source: LCD as of end Mar-23

It is also worth pointing out that the debt which matures in 2024 and still needs to be refinanced has probably not been addressed so far for good reason. Regional banks in the US, which have become more cautious since their funding crisis earlier this year, were over-represented in supplying the leveraged loan market. High yield spreads have started to widen in the past few weeks, and when stacked on-top of the risk-free rate, the increase in the cost of refinancing over the past 2 years is very meaningful. It is no surprise therefore that we are seeing increasing signs of stress in the refinancing behaviours of private equity managers. Whereas previously, debt was isolated against each individual company in the portfolio, we are now seeing that in order to complete their refinancings, private equity firms are needing to offer lenders the entire portfolio as collateral in so-called NAV loans. To our mind this is a breach of trust with the LP as to how the model was meant to work: damage from poorly performing companies was meant to be isolated.

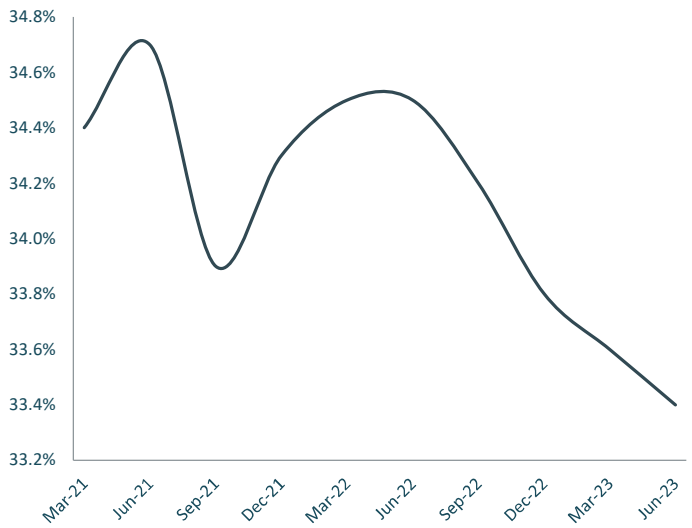
It is impossible to quantify the potential impact of a private equity crisis. However, we believe it is inconceivable that with exposure representing c.21% of global GDP (ranking between China and the US in terms of global importance), the contagion risk would not be meaningful. We are doing more work on the potential wider ramifications of a private equity crisis. If press reports are accurate then CVC is due to launch its IPO imminently. It is always interesting to see when industry insiders want to sell.

China has fallen out of sync with the western economies. Consensus, including us, expected it to bounce back much stronger from COVID this year when actually COVID rebound waves were more impactful than expectations. China has also suffered from western economies shifting their spending marginally away from goods and back into services. This phenomenon has also been helpful at supporting western labour markets given that the service sector is more labour intensive.

Exhibit 12: US Corporate High Yield Yield to Worst (%), Jan-18 to Oct-23

Source: Bloomberg

Exhibit 13: US goods as a share of PCE

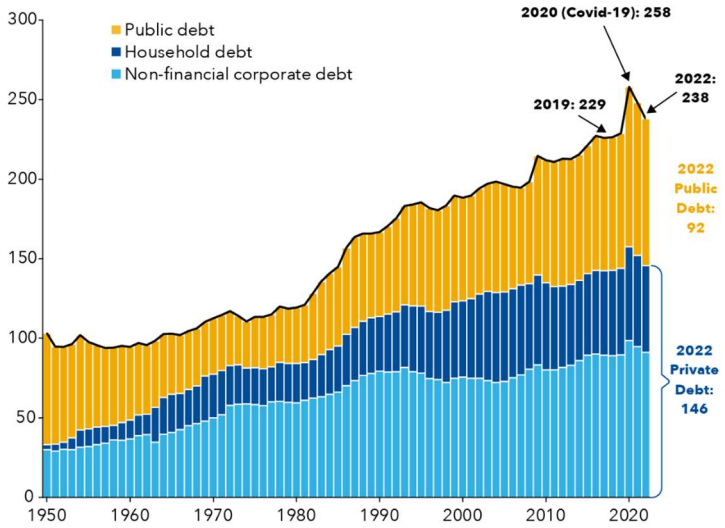


Source: Goldman Sachs

In terms of forecasting the China macro we put it into the 'too hard' bucket and we are well aware it has the ability to surprise meaningfully both ways. Given the depressed activity in Chinese real estate we actually find it quite bullish for copper given how well it has held up. The Chinese economy is regaining some momentum after policy support and if this does gain real traction it will clearly be an inflationary force globally.

We are finding the inflationary debate more complicated. It is easy to draw parallels to the 70's and we do have some sympathy with this. That said the stock of debt in the system is materially higher than what we saw in the 70's and so interest rate rises have the potential to cause much more stress in the financial system (private equity, LDI, regional banks…). One argument is that this simply means that central banks are forced to keep rates lower than expected to avoid potential crisis. The counter argument is that is central banks could be slow to recognise a crisis emerging and damage becomes too embedded unleashing deflationary forces for a period of time. Another good reminder of why we are pleased to have our primary edge coming from stock picking.

Exhibit 14: Global debt as a percentage of GDP



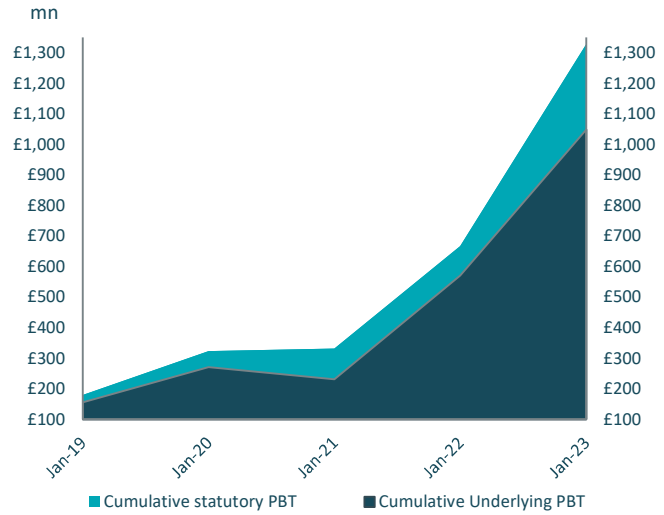
Source: IMF Global Debt Database

As a summary we prefer the macro and valuation set up in Europe compared to the US and we also feel incrementally more nervous about systemic issues surfacing after this extraordinary period of rising rates. These views are represented in our positioning.

Fund performance and positioning

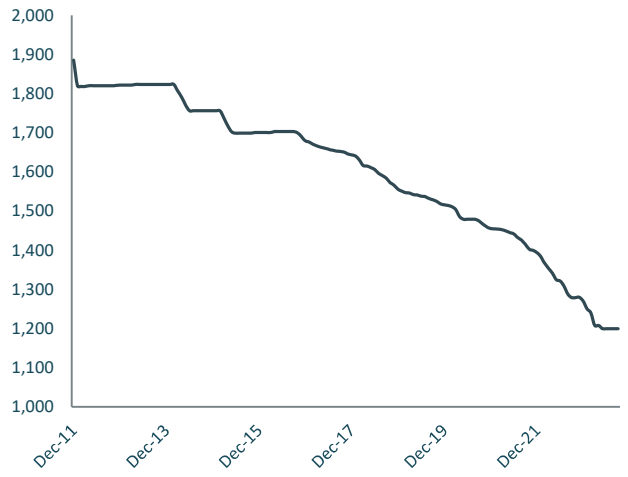
Frasers Group was a key positive contributor for the quarter after strong results and outlook at its full year update. Frasers Group find themselves in rarified company among larger western retailers by guiding for 10% PBT growth for their next financial year. Whilst for many companies that we look at we take 'adjusted earnings' with a pinch of salt, Frasers Group has some of the most conservative accounting that we have come across, the output of which is shown below. The group is a beneficiary of QT also as the higher cost of capital and tougher retailing environment allows it to stand out from the pack and win share. We can see a long runway of growth ahead of Frasers Group and yet it trades on a forward p.e. 7x ex its investments and cash flow is often stronger than P&L earnings.

Exhibit 15: Frasers' accounting is conservative



Source: Frasers Group, Lancaster IM

Exhibit 16: Man Group, shares outstanding (m)



Source: Bloomberg

Man Group performed well also and remains a conviction position in the fund. We know the business well and have been shareholders several times over the past decade. We have been impressed by its use of technology throughout the business and we admire the high barriers, stickiness and growth trajectory this brings. We also admire the company's excellent track record in capital allocation over many years. We believe that the fund management industry will increasingly polarise between the larger houses which can invest in and engage with technology, and more focused fundamental firms who are benchmark agnostic. There should be a virtuous circle for Man Group as it leverages its central investments, and its rare diversity and sophistication, to be able to offer bespoke solutions to some of the largest clients globally. This should result in Man winning a larger slice of the pie going forward. Meanwhile higher interest rates create a better environment for hedge funds given their absolute benchmark is zero; and positive absolute returns may not be so easy through passive solutions, easing a major source of competition in recent years. We were able to invest into Man Group on a forward p.e. ratio (2024) of 7x on our numbers, which we believe prices in very little for growth and performance fees we forecast. That is a very important point for Man's shareholder returns: the market has consistently put the performance fee on a multiple of 1 or 2 times and management has continuously arbitraged this by using it to de-equitise.

Exhibit 17: MAN Group key performance indicators

	MAN Group
AUM (June '23, Fee Earning)	$151.7bn
Enterprise value	$2.7bn
Enterprise value / AUM	1.8%
Consensus AUM CAGR, 2022-26	12%
Consensus Revenue CAGR, 2022-26	2%
Consensus Perf Fees vs AUM (Avg), 2023-26	20bps
EV / Earnings 2024	6.8x

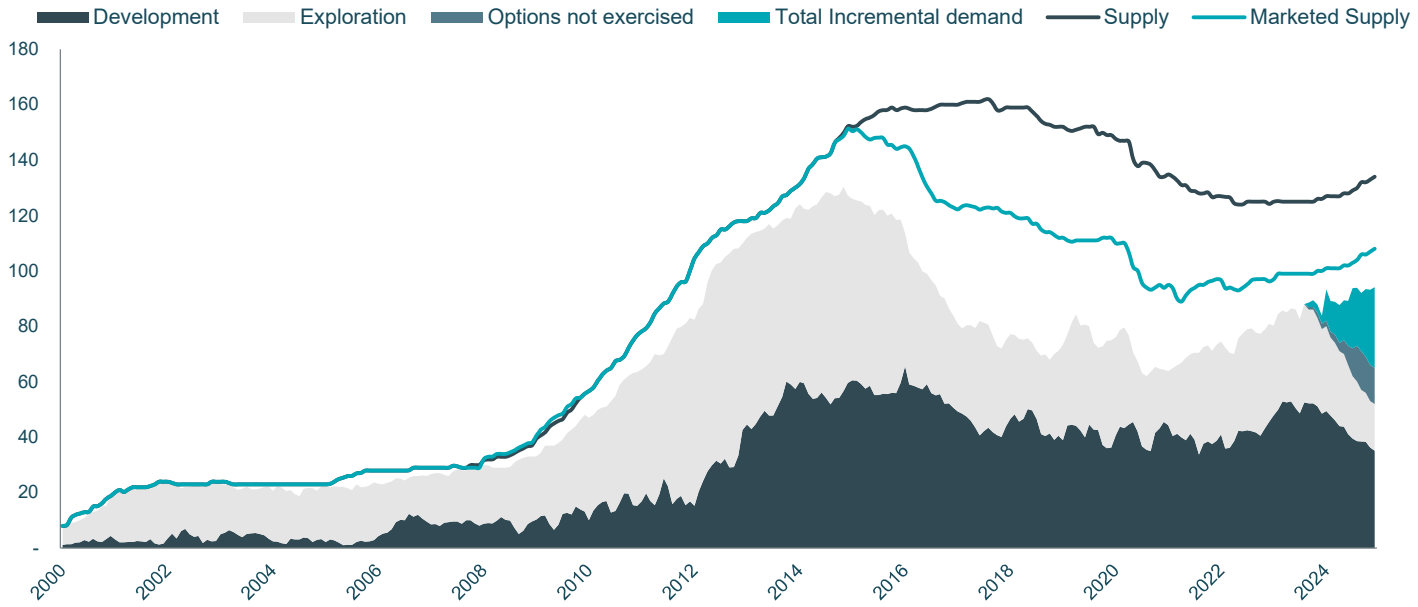
Source: Bloomberg, as at 29-Sep-23.

Although the performance fee is volatile, it is a consistent cash generator over the cycle for such a large and diversified firm. Over the last 10 years performance fees have represented c.30% of revenues and c.50% PBT for Man Group. Whilst we expect Man Group to move into a more favourable world with QT taking place, we believe the opposite is true for private equity houses (as discussed above).

Ubisoft performed well in Q3-23 with the market potentially starting to view more positively its new game pipeline and its strategic alliance with Tencent. Regarding the pipeline, we were encouraged earlier this year by the feedback from and levels of gamer interest in the large-scale public testing of Ubisoft's upcoming free-to-play title XDefiant. More recently, on the paid game side, with The Crew Motorfest and Assassin's Creed Mirage, Ubisoft has begun once again to deliver consistently at high quality. There was also, what we regard as, a windfall for Ubisoft in the quarter as Microsoft signed a long-term deal to licence to it the cloud streaming distribution rights for Activision Blizzard's portfolio, most likely in order to get that acquisition over the line with the UK CMA. Finally, we feel that the market may finally be viewing more positively Ubisoft's long-standing strategic alliance with Tencent. We have long been encouraged by Tencent's willingness to build its stake in Ubisoft at levels above the prevailing share price (e.g. at c.Eur 80 per share in September 2022 vs a current share price of c.Eur 30). On top of this, however, in June Tencent was also identified as the licence partner investing significantly to take Ubisoft's key Assassin's Creed intellectual property into the mobile gaming arena.

Our oil exposed names had a good quarter helped by the oil price being up c.27%. **BP** and **Shell** performed well and **Valaris** additionally benefited from increasing it buyback target. It is a sign of the times when oil drillers are increasing capital returns rather than signing up newbuilds. Meanwhile, the supply/demand of deep-water drill ships looks as good as it has for a long period of time due to the lack of new capacity.

Exhibit 18: Ultra Deep Water rig supply/demand (number of rigs)



Source: DNB Markets, S&P Global

Vistry, our only UK housebuilder, updated the market with regards to its business model in September. It will focus on its capital light partnership model and will not continue with traditional housebuilding. The market is undecided on this strategic move but what is clear is how well Vistry is outperforming sector peers. Vistry earnings so far this year have been upgraded by 15% whilst the sector average has been downgraded by 12%. The shares trade on a 25% premium to Tangible Book Value, which looks inconsistent with target medium term KPI's (4 to 5 years out) of 5-8% revenue growth and a 40% ROCE and £800m of operating profit. In fact, factoring a capital return broadly in line with guidance, the shares would trade on a PE of sub 4X if management hit their targets. Meanwhile political parties seem keen to highlight that they would build more houses as a key election pledge. Vistry's bias to affordable housing certainly puts them in a good position if Labour were the next UK government.

Plus500 has had a tough year so far with the shares being down c.25%. There have been a few drivers of this underperformance which do not concern us. Volatility in financial markets during the second and third quarters was low, and this is a key driver of activity and customer recruitment. We see low volatility as cyclical not structural, but it will clearly have an impact on those quarters' earnings. There was also a regulatory change in Spain with advertising prohibited for CFD trading, and we feel there is a reasonable chance that this gets rolled out across Europe in some form. As we saw in 2018 with ESME regulatory changes it tends to favour the better positioned and larger providers. The strongest brands benefit in a world where there is less advertising. Plus500 as a multi-portal financial provider will also be able to continue advertising for its investing or futures division unlike its competitors. By having advertising restrictions, it increases the barriers to entry and reduces the 'Google tax'. Meanwhile Plus500 has launched its Japanese offering in September and the Middle East and US divisions should begin to generate material revenue growth in the next few quarters. Given Plus500 has just passed its 10-year anniversary as a listed entity it is worth comparing it to its largest peer, IG Group.

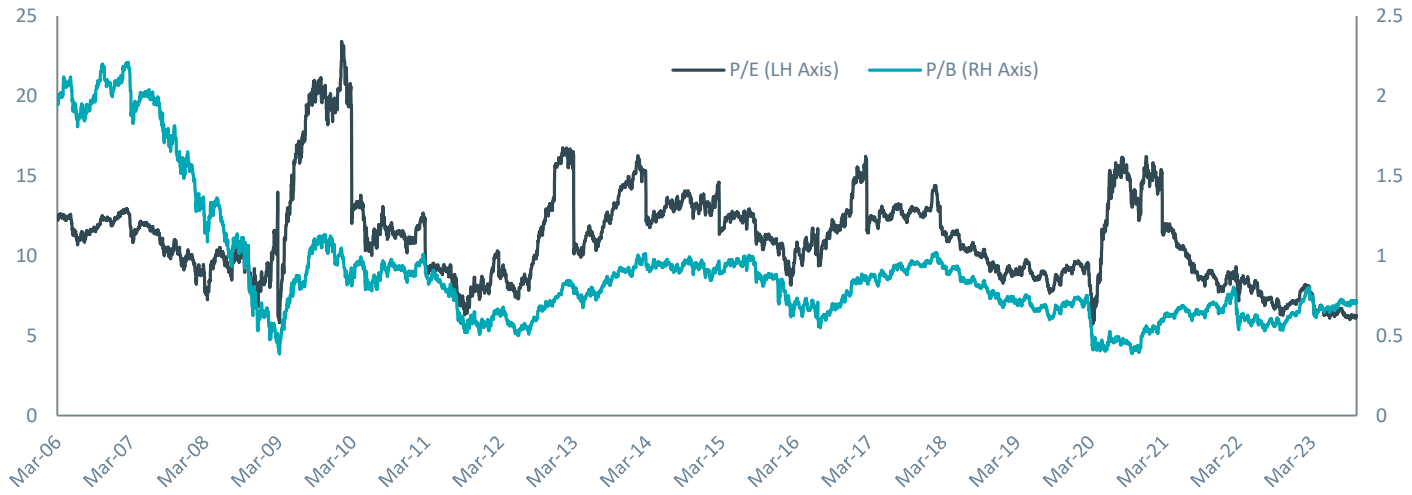
Exhibit 19: Plus500 vs. IG Group, relative valuations

	Plus500	IG Group
10-year stats:		
Marketing Spend Average % Revenue	25%	10%
Revenue CAGR, levered organic	23%	7%
Customer CAGR, levered organic	13%	3%
ARPU CAGR, levered organic	9%	4%
Average Operating Margin	57%	48%
Average ROE	95%	26%
% Share Count Change	-30%	13%
M&A Consideration	$33m	$1,000m
Current Stats:		
Surplus Cash % Market Cap	25%	20%
EV / EBIT (FY1)	2.6x	6.3x

Source: Bloomberg, as at 29-Sep-23.

We continue to have exposure to the European banking sector through Commerzbank, Deutsche Bank, Barclays and Natwest Group. As ever there are macro risks with banks but we feel these are more than discounted and the opportunity for meaningful capital returns is very real. In fact, the European banking sector has never been so cheap.

Exhibit 20: Euro Stoxx banks index forward P/E (LH axis) and P/B (RH axis)



Source: Bloomberg

IWG has been a poor performer for the fund this year. However, for us the story has got more compelling, and we see three clear areas where the market is underappreciating the opportunity and value of the business.

- Wework is close to going into Chapter 11. Catalysed by a negative cost of capital, Wework has been extremely disruptive to pricing in the serviced office industry over the past six years; we estimate it may have reduced industry gross margins by c.300bps, along with other QE driven start-ups in the space. Wework now has a market cap of only $151m versus net debt of $2.7bn. It looks inevitable that either the company goes into Chapter 11 and comes out as a much smaller business; or logically that IWG should be part of the solution, possibly by running the Wework sites for a fee and allowing Wework to reduce costs dramatically.

- The IWG capital light model is gaining traction. IWG is now signing up around 100 new centres a month for the capital light (franchising) division. Given there has been significant investment into this division, there is a hockey stick in forecast profitability with losses this year. We model that in 2025 and 2026 this capital light division should be generating EBIT of c. £70m and £115m respectively. Putting these figures on multiples of comparable franchise businesses would almost account for the entire IWG EV.

- Worka is a valuable business. Having acquired 85% of The Instant Group for £270m in March 2022 IWG merged it with some of its own assets to create a leading brokerage business that also offers technology and turnkey solutions for the serviced office industry. Both Instant and the IWG assets are high growth: Instant was growing revenues at a 20% CAGR and EBITDA at a 30% CAGR in the three years prior to acquisition. We believe this division could be worth the entire EV of IWG.

Yes, IWG is cyclical, but higher rates are starting to drive creative destruction among their lower quality competitors and if we are right on the evaluation of the IWG business as per the points above, then there are multiples of upside to the shares.

Vivendi has been another disappointing performer so far this year. Vivendi is currently finalising its takeover of Lagardere, whose key strategic asset is the book publisher Hachette. We have long felt that the book publishing industry has so far failed to capitalise on the full potential of mass-scale digital distribution, with the result that as many as one third of consumers in a market like the UK don't engage with books as a regular form of entertainment. We were therefore encouraged by Spotify's recent announcement that it has now reached agreement with all the largest global book publishers to begin offering its >200m subscribers 15 hours per month of audiobook content (with the cost seemingly borne at launch by Spotify itself). This announcement has the potential to both significantly grow the audiobook market and to improve the book publishers' negotiating leverage vs the current dominant audiobook distributor Amazon.

Our biggest detractor in the quarter was our long position in Jet2, despite the company upgrading guidance. The market is concerned about the climbing oil price and capacity coming back too strongly in 2024. Our two positions in the airline and package holiday sector are Ryanair and Jet2 and in both instances they are material contributors to this growing capacity. On top of that we believe demand for package holidays and low-cost travel is structurally higher than pre-COVID. A JP Morgan survey showed that UK consumers are now 45% "more likely to choose a low-cost airline than before the pandemic". Jet2 is less exposed to the oil price with a 10% rise in the cost of fuel equating to a 1% rise in the cost of a package holiday. Ryanair meanwhile as the lowest on the cost curve has the greatest ability to ride out the increase. Jet2 trades on an EV/EBIT multiple of 3x for 2024 when we include only half of the customer cash and Ryanair trades on a p/e of 8.4x for 2024. Low multiples for structural market share winners.

'Everything has beauty, but not everyone sees it' (Confucius). Our job is to find companies that have better risk-adjusted prospects than the market is pricing in. The push back to our overweight in Europe and 'value' (and many of our names) is that we are backing lower quality companies. The empirical evidence would suggest otherwise. When comparing key consensus metrics of our long book to that of the market it would imply that we are paying a materially lower price for higher quality companies taking on less balance sheet risk. It is worth saying that all our metrics for the fund would be higher than what consensus is expecting in the table below.

Exhibit 21: KPI comparison – WS Lancaster Global Equity Fund vs. MSCI World

WS Lancaster Global Equity Fund *	8.7	7.6	1.0
MSCI World Index	17.5	16.7	2.2

*consensus data. Source: MSCI, Bloomberg, Lancaster IM, as at 29-Sep-23.

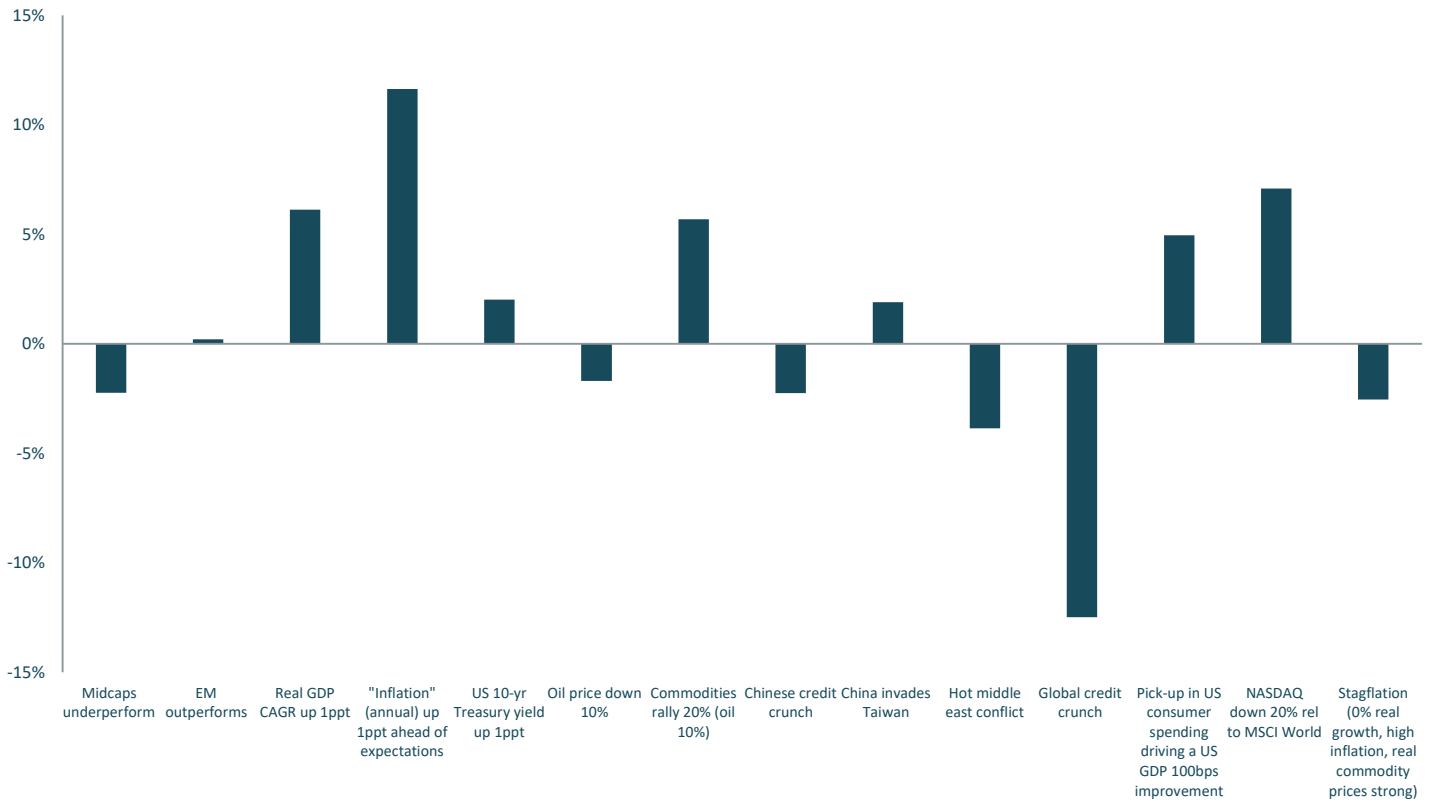
Conclusion

The Fund is fully-invested with a strong pan European overweight relative to the MSCI Daily TR Net World Index. While the combination of headline market multiples and the degree to which discount rates have risen has created market risk, there are also specific areas offering what we consider to be extremely attractive entry points for high quality companies. To this end, we believe active stock picking supported by rigorous equity analysis should be able to add great value during the period of quantitative tightening and strong brands and companies will stand out from the crowd.

Whilst it is frustrating to have had the funds progress in 2023 impacted by exogenous events we are pleased that operational matters have now been resolved. The investment team has hit the ground running at Lancaster with productivity and further improving the investment process being a renewed area of focus. We are very excited by the set up in the market and the opportunity set in front of us. Generally, markets are poor at pricing in unusual and extreme macro scenarios, and this creates inefficiencies in how companies are valued.

Lastly, and most importantly, we would like to thank you for your continued backing. We have been humbled by the support we have received over the last few months, we hope you can join our upcoming investor call and we look forward to updating you at the end of the year.

Exhibit 22: WS Lancaster Global Equity Fund | Estimated factor return (relative) as at 13-Oct-23



Source: Lancaster IM unaudited internal data & Bloomberg, as at 29-Sep-23. Note: Assumes current currency hedging; The information above is an estimation of the expected factor return; Lancaster may make investment decisions that are inconsistent with these views expressed in this communication. The chart above presents projections of future performance. These projections are based on a number of assumptions that may or may not prove to be accurate. Future performance is subject to a wide range of significant risks. As a result, there can be no assurance that the projections in the chart above will prove to be accurate.

James Hanbury & Jamie Grimston

WS Lancaster Global Equity

Net Performance (GBP)

	1-month	3-month	1-year	3-year	5-year	YTD	Inception	Inception CAGR
Fund	2.2	6.0	-7.4	38.2	12.7	-5.6	465.1	8.1
MSCI Daily TR Net World	-0.7	0.6	11.2	33.6	51.7	10.1	374.7	7.3
Relative	2.9	5.4	-18.6	4.6	-39.0	-15.7	90.6	0.8

Yearly Trailing Performance (net)

1-year to	29 Sep 19	31 Sep 20	31 Sep 21	31 Sep 22	31 Sep 23
Fund	-10.9	-8.5	35.0	10.5	-7.4
MSCI Daily TR Net World	8.1	5.1	23.6	-2.8	11.2
Relative	-19.0	-13.6	11.4	-13.2	-18.6

Monthly Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index
2023	3.6	0.5	-4.6	-2.6	-5.0	-3.1	4.1	-0.3	2.2				-5.6	10.1
2022	-1.1	-1.5	9.2	0.8	5.0	-8.7	0.9	5.7	0.0	-0.4	1.5	-2.9	7.7	-1.1
2021	0.6	5.9	6.3	3.6	2.1	-1.4	-1.4	3.0	1.3	-1.5	-1.1	3.4	22.3	0.6
2020	-6.4	-5.0	-9.8	10.0	0.6	-0.9	-2.3	0.9	-2.8	-0.9	9.2	2.7	-6.4	-6.4
2019	4.7	-2.6	1.0	2.0	0.6	4.0	4.8	-8.3	-0.6	-2.0	1.5	9.2	14.0	4.7
2018	-1.6	0.1	-1.9	8.1	4.2	1.7	0.3	-1.5	4.1	-3.9	-3.6	-8.5	-3.6	-1.6
2017	1.2	2.0	-1.0	-2.0	3.3	-2.7	-0.3	3.6	-2.6	1.9	-0.3	3.2	6.1	1.2
2016	-2.2	-0.3	-2.5	-1.4	-0.3	3.2	3.9	-1.1	1.1	3.3	-3.8	4.7	4.3	-2.2
2015	2.5	1.0	2.6	-3.8	3.5	-4.6	1.2	-4.3	-2.0	2.8	1.7	-0.2	-0.2	2.5
2014	-2.9	6.4	-2.7	-2.8	3.3	-1.4	-1.7	2.1	-0.8	-0.1	6.0	1.6	6.6	-2.9
2013	10.8	3.1	1.2	-0.1	6.1	-4.9	5.3	-3.0	2.9	4.3	-0.3	0.7	28.3	10.8
2012	6.8	6.6	-0.5	-3.1	-6.4	1.6	1.4	2.7	3.0	2.0	3.0	2.6	20.7	6.8
2011	3.1	2.4	-1.3	2.9	-0.9	0.7	-6.5	-12.4	-5.6	11.0	-7.7	1.2	-14.2	3.1
2010	-3.7	3.9	8.4	-1.3	-7.8	-1.6	3.6	-5.7	7.0	2.6	0.1	6.7	11.4	-3.7
2009	-8.4	-6.1	2.6	20.6	1.6	-2.9	7.6	12.0	5.5	-8.3	-1.8	1.4	21.8	-8.4
2008	-6.2	5.6	0.0	1.7	1.1	-7.1	-4.5	3.9	-13.2	-7.5	6.4	9.5	-12.1	-6.2
2007	-0.5	0.9	3.7	4.9	5.2	-1.9	-2.0	-2.4	4.9	1.5	-3.1	4.2	15.9	-0.5
2006	3.8	1.2	2.9	2.9	-9.5	0.8	0.9	-0.3	-1.6	2.2	1.1	3.1	7.2	3.8
2005	0.6	5.3	0.8	-4.1	-1.4	3.0	5.6	1.6	1.7	-3.0	4.0	2.9	17.8	0.6
2004	2.0	-0.5	1.4	-0.3	-2.1	1.6	-1.2	0.6	-0.4	2.1	5.8	0.6	9.7	2.0
2003	-0.5	-0.8	-2.6	9.8	7.1	0.5	5.0	2.9	4.2	2.3	2.0	0.9	34.7	-0.5
2002	1.8	1.3	3.9	8.1	1.4	-4.0	-6.0	4.5	-6.1	5.3	4.4	0.2	14.7	1.8

Fund details[1]

£ I Acc Class	255.30
£ I Inc Class	230.99
£ R Inc Class	5121.79
£ R Acc Class	95.86
Fund Size	£79 million
Strategy AUM	$1,146 million
Fund Inception	06 Aug 2002
Class Inception	06 Aug 2002
Fund Type	UK Long Only UCITS
Benchmark	MSCI Daily TR Net World GBP
Base Currency	£

Team & contact details

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Yalding House, 152-156 Great Portland St.,
London, W1W 6AJ

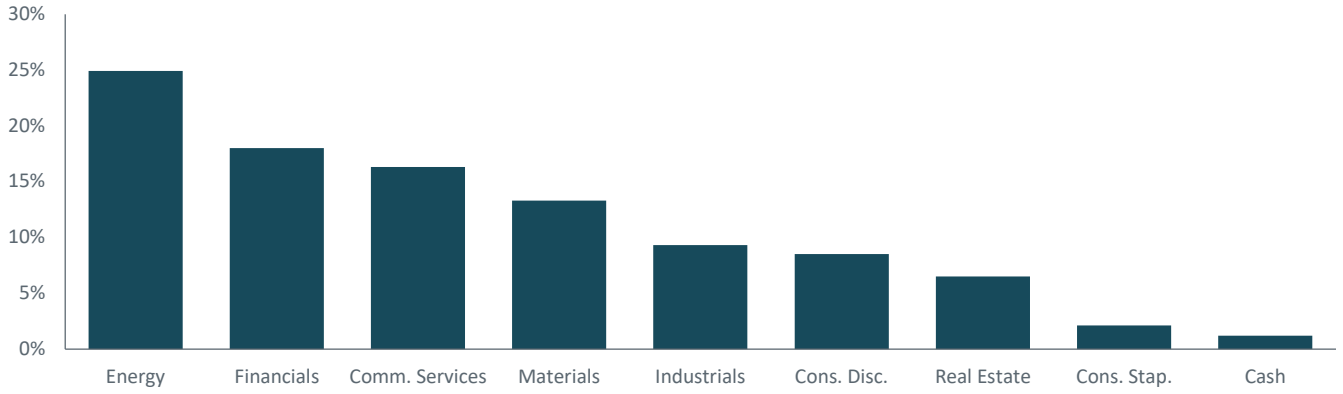
Portfolio Characteristics

Number of positions	28
Cash Level	1.2%

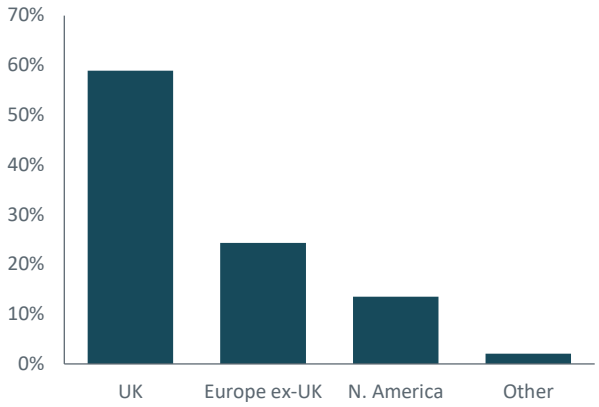
Important information
These figures refer to the past. Past performance is not a reliable indicator of future results.
This document is a marketing communication. Before subscribing, please read the prospectus and the KIID, available from Lancaster Investment Management on request. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

Source: All sources, unless otherwise stated, are Lancaster IM internal unaudited data and refer to the R Inc share class. All data shown as at 30 September 2023.
[1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested.

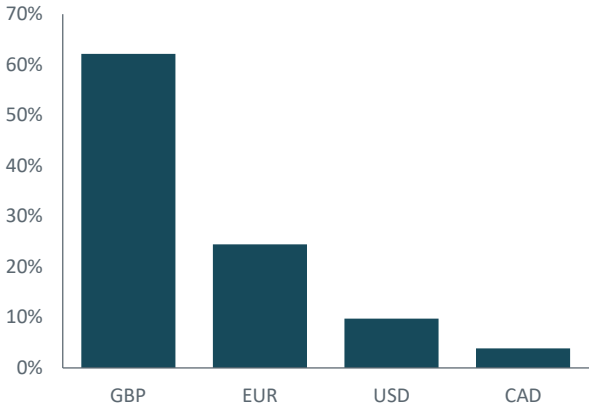
Equity exposure by sector



Equity exposure by geography



Currency exposure



Top 10 Long Equities

BP	8.6%
Frasers Group	8.5%
Shell	8.5%
IWG	6.5%
Jet2	5.6%
BT	4.6%
Barclays	4.5%
Natwest Group	4.4%
ArcelorMittal	4.3%
Ubisoft Entertainment	4.2%

Allocation figures are taken at close of business whereas Fund performance is taken at 12pm. Equity exposure includes all equity related instruments. Commentary is provided on a quarterly basis. Equity exposure as classified by GICS. The fund was renamed from LF Odey Opus to WS Lancaster Global Equity in Q3-23 on the back of the Investment Management Agreement transferring to Lancaster Investment Management LLP and also Waystone acquiring Link Financial Services. All performance in GBP.
Source: All sources, unless otherwise stated, are Lancaster internal unaudited data and refer to the £ R Inc share class. This share class has been used because it has the longest track record of the Fund. All data shown as at 29 Sept 2023. [1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

LANCASTER
INVESTMENT MANAGEMENT

Investment objective and policy

The WS Lancaster Global Equity Fund ('The Fund') aims to achieve long term capital growth. Capital is at risk and there is no guarantee that a positive return will be delivered over multiple time periods. The Investment Manager seeks to achieve this objective through managing a portfolio of publicly listed equity investments.

Approach

The strategy is long-only, valuation driven and global in scope. The portfolio managers investment approach is built around some core principles; investing in fundamentally sound companies, use diversification to mitigate risk, focus on sustainable free cash flow generation and seek out corporate management teams who are well aligned. The strategy harnesses the experience and judgement of James Hanbury, his investment team and the wider equity research resource at Lancaster Investment Management. While the team invest for the medium to long term, they continuously resize positions to ensure the portfolio remains focused on their highest conviction ideas. The Fund is built without formal reference to an index and typically contains 25-40 long positions with a higher concentration in the top 10 positions.

Risk Considerations

The Fund has considerable latitude over its allocation and may own sophisticated instruments such as futures and options for efficient portfolio management. The Fund may hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate higher risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

Investor information

Share classes	GBP R (Acc. & Inc.), GBP I (Acc & Inc.)	**Minimum investment**	R £5,000; I £1,000,000
Trade date	Daily	**Dividends**	Income & Accumulation shares
Dealing	Forward to 12pm	**Authorised Corporate Director (ACD)**	Waystone
Valuation	12pm	**Auditor**	Ernst and Young LLP
Front end fee	Up to 5%	**Custodian**	BNY
Annual management fee	I - 0.89bps; R – 1.39bps	**Price reporting**	Prices published daily on lancasterim.co.uk, Bloomberg and by other third party data providers.
Ongoing charge	I – 120bps; R – 170bps	**ISIN**	On request
Anti-dilution fee	May apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur	**SEDOL**	On request

Important Legal Information & Disclaimer

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

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