LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

June 2018

June saw no significant positive contributors and one disappointing negative outcome but ultimately the month produced a small amount of alpha. Our new investment in Osram Licht had a profit warning which, while painful, allowed us to scale into the position. The company was spun off from Siemens five years ago and in that time the asset has undergone a significant transformation. The consumer lighting business has been sold and what remains is largely a semiconductor business. Today we see the company as a high return, growth franchise with a net cash balance sheet. The profit warning was due to a general slowdown in end markets and some delayed projects. The investment is covered in more detail in the second quarter letter. We initiated a new position in Zalando, the largest online apparel retailer in Europe. We believe Zalando's business model is shifting from wholesale distribution to a services-led platform model through which brands can access Zalando's customer reach and distribution platform; this should result in much higher ROIC as Zalando monetises its dominant position in the online space.

Performance	
Return on month	-0.02%
Number of Positions	
Long	37
Short	12
Total	49

Exposure	
Gross	109.3%
Net	84.2%
Net Beta Adj.	85.0%
Long	96.7%
Short	-12.5%

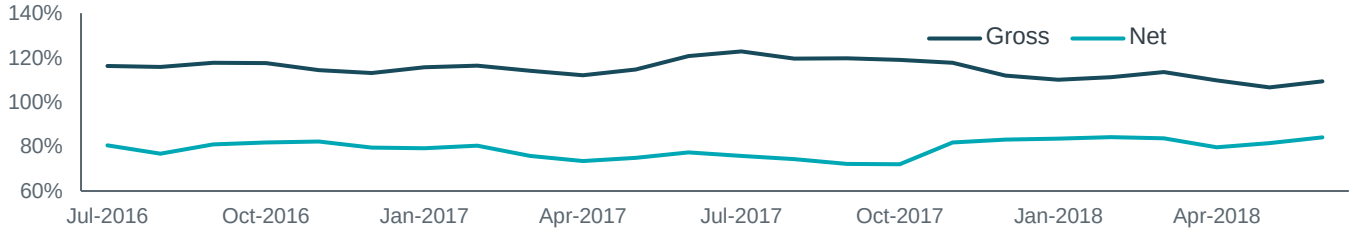
Top 3 Positive Contributors
Serco Group
Essilor International
Information Technology (long)

Top 3 Negative Contributors
Industrial (long)
Consumer Discretionary (long)
Financial (long)

Top 5 Longs	
Essilor International	7.3%
Cobham	4.9%
Tesco	4.7%
Serco Group	4.5%
UBS	3.9%
Total	**25.4%**

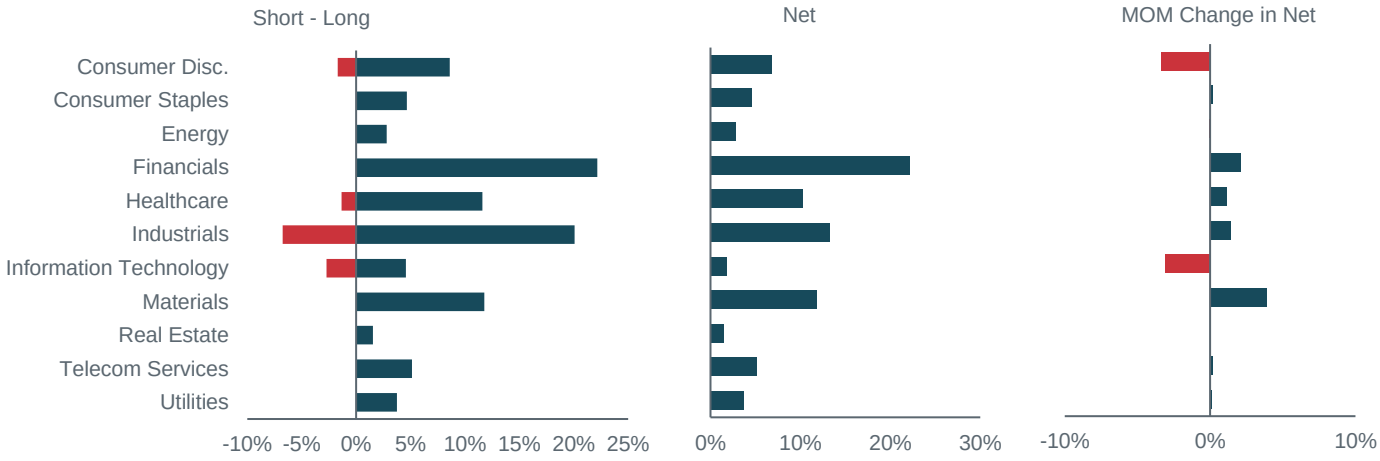
Top 5 Shorts	
Industrial	-2.4%
Consumer Discretionary	-1.5%
Information Technology	-1.4%
Healthcare	-1.3%
Industrial	-1.3%
Total	**-7.9%**

Rolling 24 Month Gross and Net Exposures



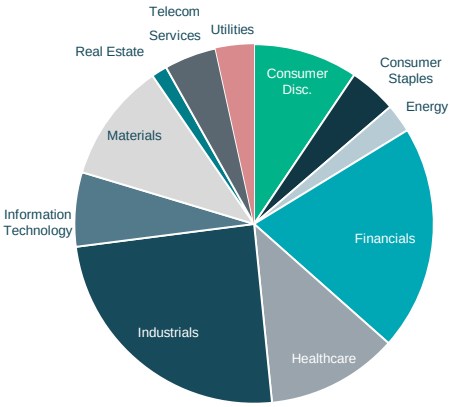
Source: Lancaster Investment Management

Sector Exposure

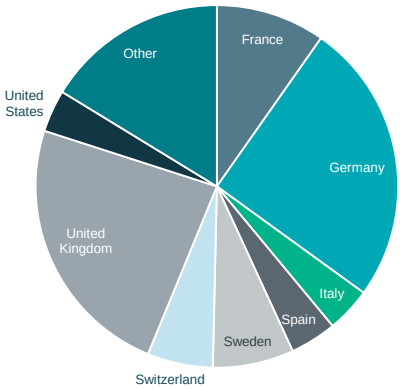


Source: Lancaster Investment Management

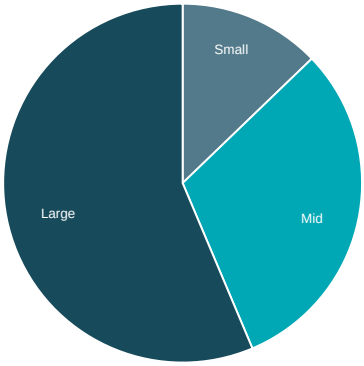
Sector



Country

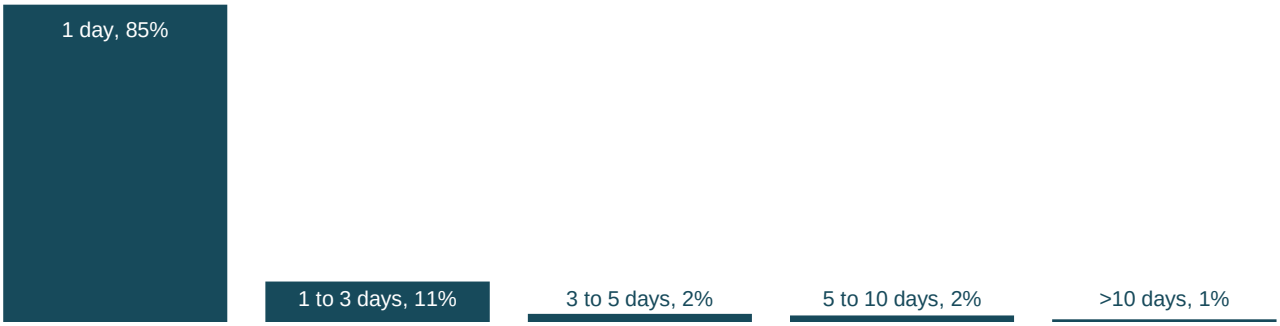


Market Cap



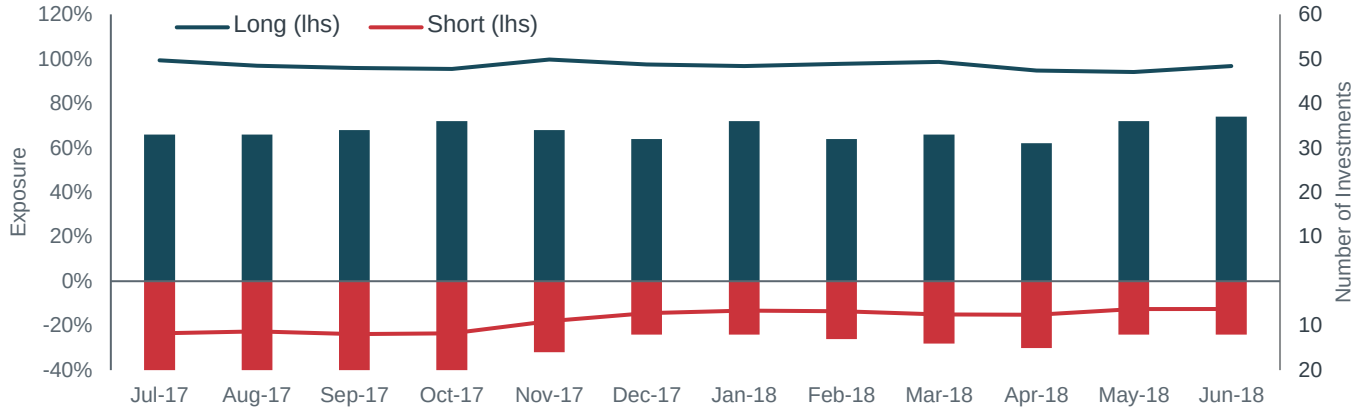
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

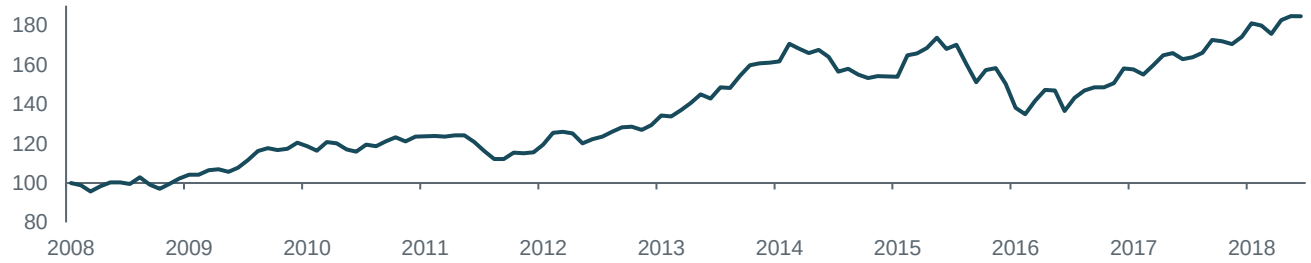
Gross method	1.6
Commitment method	1.1

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Year**	**Inception**
2008		-1.21%	-3.13%	2.77%	1.91%	0.06%	-0.75%	3.44%	-3.65%	-2.14%	2.50%	2.76%	**2.24%**	**2.24%**
2009	1.85%	0.04%	2.20%	0.49%	-1.18%	1.94%	3.61%	4.06%	1.30%	-0.78%	0.54%	2.56%	**17.76%**	**20.41%**
2010	-1.43%	-1.88%	3.71%	-0.48%	-2.69%	-0.90%	3.08%	-0.62%	1.97%	1.83%	-1.72%	1.95%	**2.59%**	**23.53%**
2011	0.12%	0.16%	-0.32%	0.51%	0.05%	-2.71%	-3.77%	-3.57%	0.10%	2.88%	-0.35%	0.53%	**-6.37%**	**15.66%**
2012	3.32%	4.99%	0.38%	-0.63%	-4.03%	1.73%	1.16%	1.97%	1.80%	0.16%	-1.19%	1.91%	**11.90%**	**29.42%**
2013	3.75%	-0.35%	2.42%	2.57%	3.19%	-1.53%	3.97%	-0.14%	4.12%	3.44%	0.68%	0.18%	**24.48%**	**61.10%**
2014	0.37%	5.56%	-1.40%	-1.40%	0.99%	-2.16%	-4.51%	0.91%	-1.87%	-1.20%	0.72%	-0.15%	**-4.37%**	**54.06%**
2015	-0.10%	7.11%	0.59%	1.63%	3.10%	-3.27%	1.23%	-5.74%	-5.77%	4.10%	0.64%	-5.03%	**-2.42%**	**50.34%**
2016	-8.10%	-2.32%	5.00%	3.92%	-0.23%	-7.04%	4.85%	2.59%	1.13%	-0.03%	1.41%	5.02%	**5.22%**	**58.19%**
2017	-0.39%	-1.56%	2.94%	3.23%	0.69%	-1.92%	0.62%	1.37%	3.90%	-0.34%	-0.88%	2.22%	**10.13%**	**74.22%**
2018	3.88%	-0.63%	-2.27%	3.97%	1.06%	-0.02%							**5.98%**	**84.64%**

Performance quoted net of fees from the most invested share class. Other share classes with higher fees may exist.

Fund Performance



Source: Lancaster Investment Management

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Lancaster European LS Equity Details

Launch date	February 2008
Redemptions	Quarterly
Notice Period	60 days
Minimum Investment	$10,000,000
Management Fee	1.0%
Performance Fee	15%* (subject to HWM)
Lockup Period	12 months
Subscriptions	Monthly
Gate	None

Details above refer to classes G&H and equivalent

Fund Structure	Cayman Master Feeder: Cayman Ltd, Delaware LP
Administrator	Morgan Stanley Fund Services
Auditor	KPMG
Prime Brokers	Credit Suisse, Goldman Sachs, Morgan Stanley, UBS
Custodian	State Street
Legal Advisors (UK)	Schulte Roth & Zabel
Legal Advisors (US)	Schulte Roth & Zabel
Legal Advisors (Cayman)	Maples & Calder
Contact Details	Richard Lamplough richard.lamplough@lancasterIM.co.uk +44 20 7842 1049

* Payable over multiple years – please see offering documents

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