LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

July 2018

The fund had a positive month, with a broad distribution of contributors. Performance was widespread, rather than skewed towards a few positions: the absence of large losers was also relevant to the outcome. At a sector level banks – which we have been adding to during the year as valuations retrenched – added wholesale to fund returns during the month. On the short side we closed Equiniti, an investment we detailed in the second quarter letter, as the shares now discount more realistic prospects for the company post a significant fall.

Performance	
Return on month	2.99%
Number of Positions	
Long	36
Short	10
Total	46

Exposure	
Gross	105.5%
Net	83.2%
Net Beta Adj.	82.3%
Long	94.3%
Short	-11.1%

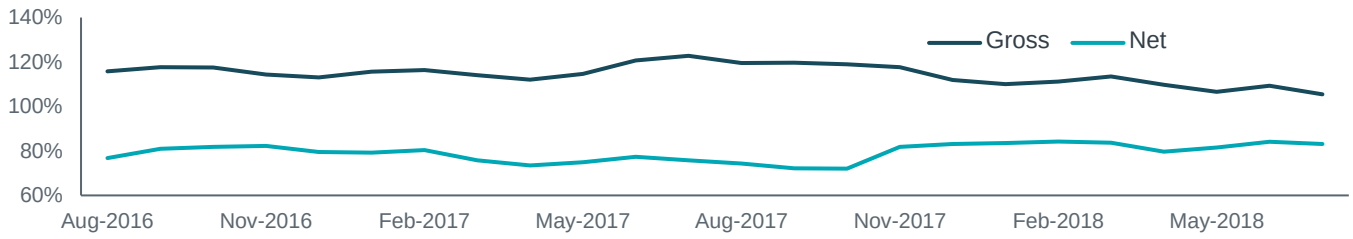
Top 3 Positive Contributors
Essilor International
Financial (long)
Industrial (long)

Top 3 Negative Contributors
Industrial (short)
Industrial (short)
Consumer Discretionary (short)

Top 5 Longs	
Essilor International	6.5%
Cobham	4.8%
Tesco	4.6%
Serco Group	4.5%
UBS	4.0%
Total	**24.4%**

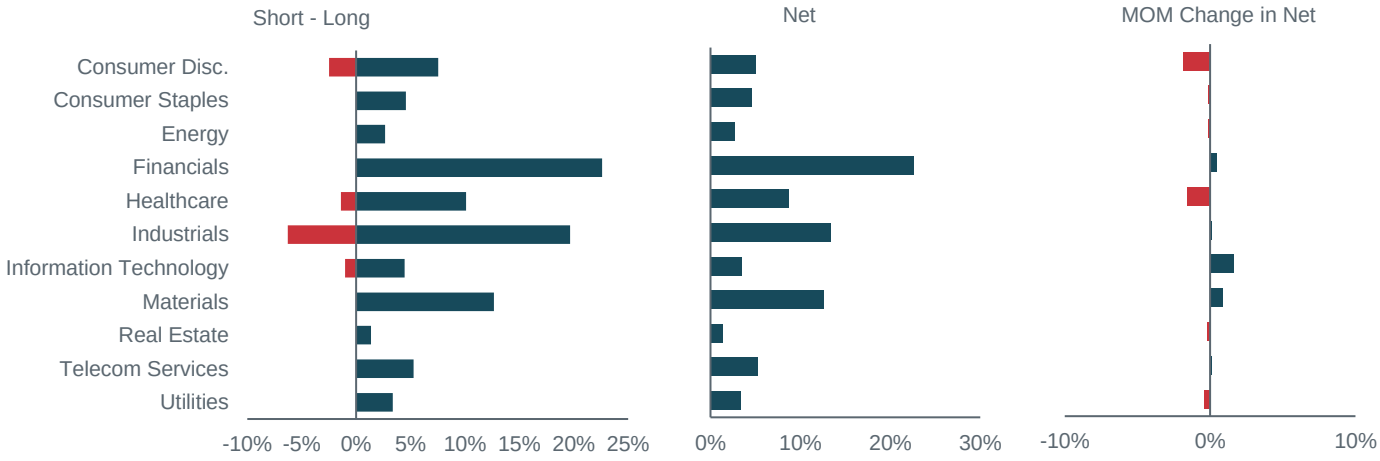
Top 5 Shorts	
Industrial	-2.5%
Industrial	-1.5%
Consumer Discretionary	-1.4%
Healthcare	-1.4%
Industrial	-1.3%
Total	**-8.1%**

Rolling 24 Month Gross and Net Exposures



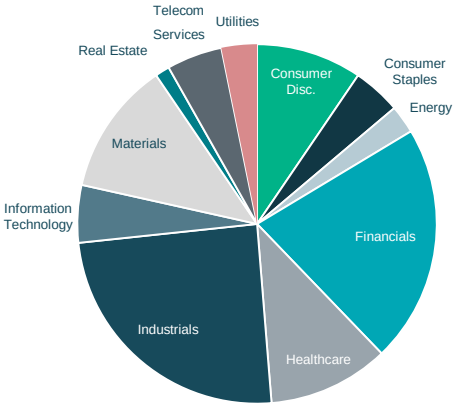
Source: Lancaster Investment Management

Sector Exposure

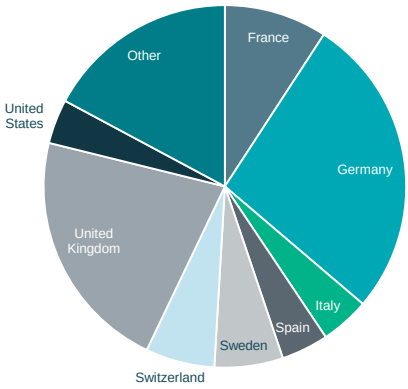


Source: Lancaster Investment Management

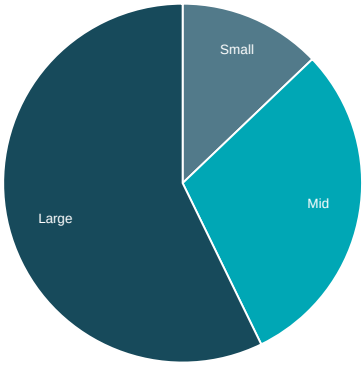
Sector



Country

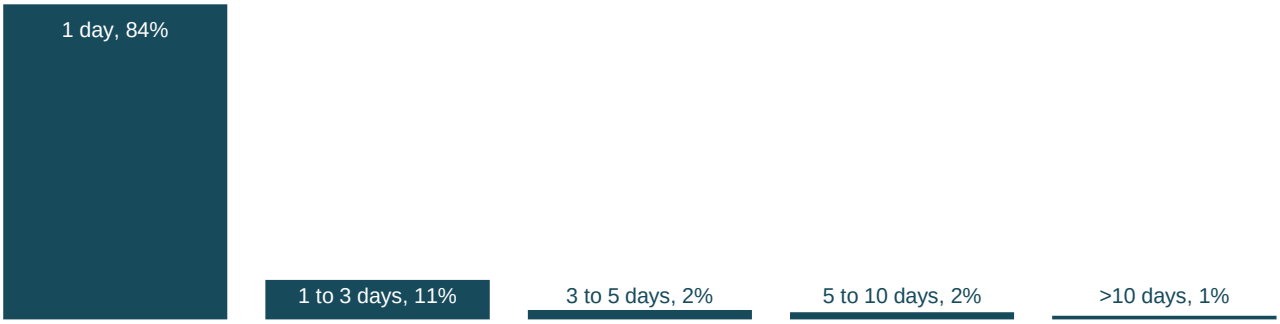


Market Cap



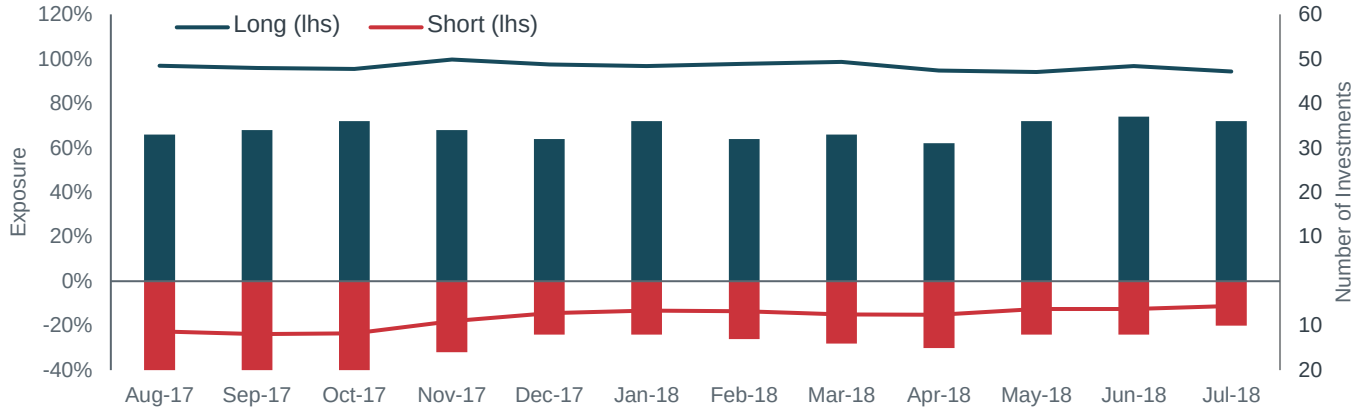
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

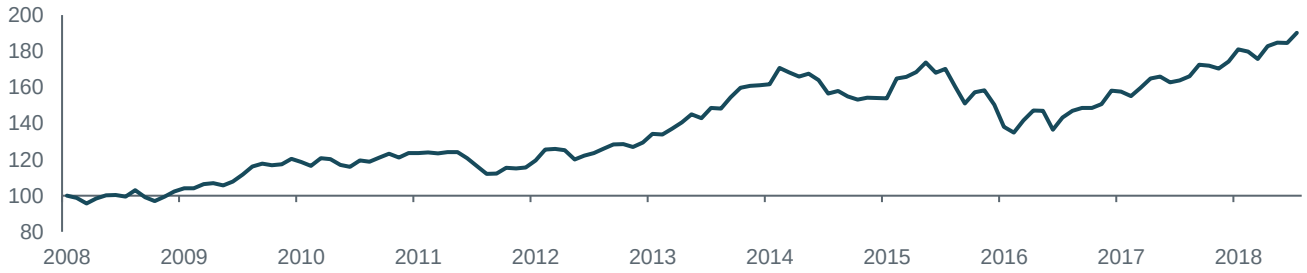
Gross method	1.6
Commitment method	1.1

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%	2.99%						**9.15%**	**90.16%**

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	**Fund Structure**	Cayman Master Feeder: Cayman Ltd, Delaware LP
Redemptions	Quarterly	**Administrator**	Morgan Stanley Fund Services
Notice Period	60 days	**Auditor**	KPMG
Minimum Investment	$10,000,000	**Prime Brokers**	Credit Suisse, Goldman Sachs, Morgan Stanley, UBS
Management Fee	1.0%	**Custodian**	State Street
Performance Fee	15%* (subject to HWM)	**Legal Advisors (UK)**	Schulte Roth & Zabel
Lockup Period	12 months	**Legal Advisors (US)**	Schulte Roth & Zabel
Subscriptions	Monthly	**Legal Advisors (Cayman)**	Maples & Calder
Gate	None	**Contact Details**	Richard Lamplough richard.lamplough@lancasterIM.co.uk +44 20 7842 1049

Details above refer to classes G&H and equivalent

* Payable over multiple years – please see offering documents

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