LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

December 2018

The fund returned -3.75% in December against a backdrop of continued negative index performance; the STOXX Europe 600 (Total Return) returned -5.46% in December and -10.77% for the year. Some of our weaker performers in the second half of the year essentially saw capitulation in the final weeks before the holidays: Lanxess, PGS, Zalando. The first two were hit hard on macro concerns, autos and energy respectively, without any corporate news. Zalando never recovered from being one of the first clothing retailers to warn. On the positive side, Serco and Epiroc performed well. The government outsourcing contracts Serco undertakes are largely immune from macro (though not political) risk. Serco raised profit guidance twice during the year as the turnaround gathered momentum. Epiroc recovered some of the underperformance of the prior two months helped by strength in the gold price, which remains its most important commodity. We continued to be active at the portfolio level during the month, initiating two long positions in Next and Novo Nordisk. We have owned both in recent history and took advantage of the marked sell off to buy back in. We also added two new shorts, a UK retailer and a UK outsourcing business.

Performance	
Return on month	-3.75%
Number of Positions	
Long	30
Short	14
Total	44

Exposure	
Gross	107.4%
Net	79.2%
Net Beta Adj.	78.4%
Long	93.3%
Short	-14.1%

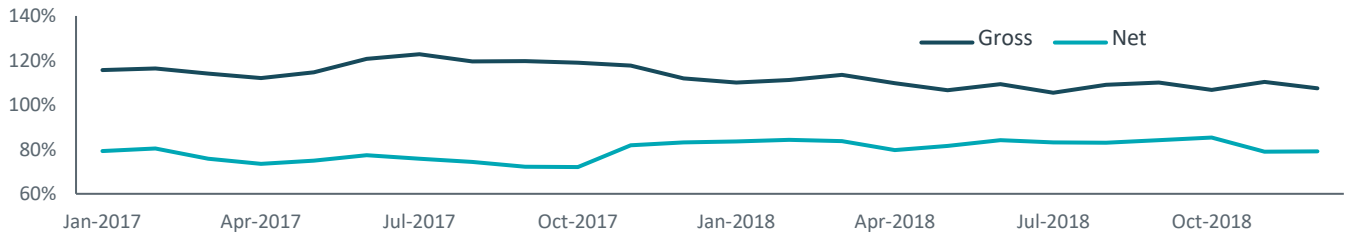
Top 3 Positive Contributors
Industrial (long)
Industrial (short)
Serco Group

Top 3 Negative Contributors
Materials (long)
Energy (long)
Consumer Discretionary (long)

Top 5 Longs	
EssilorLuxottica	6.0%
Cobham	5.3%
Linde	5.3%
Tesco	5.2%
Serco Group	5.0%
Total	**26.9%**

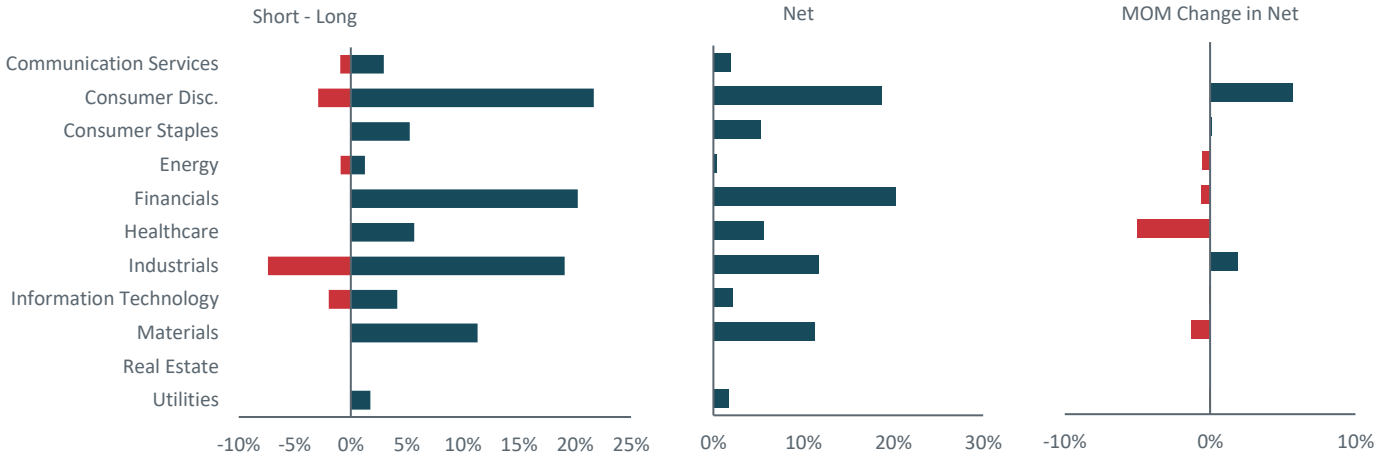
Top 5 Shorts	
Industrial	-2.1%
Industrial	-1.7%
Consumer Discretionary	-1.4%
Information Technology	-1.4%
Industrial	-1.2%
Total	**-7.8%**

Rolling 24 Month Gross and Net Exposures



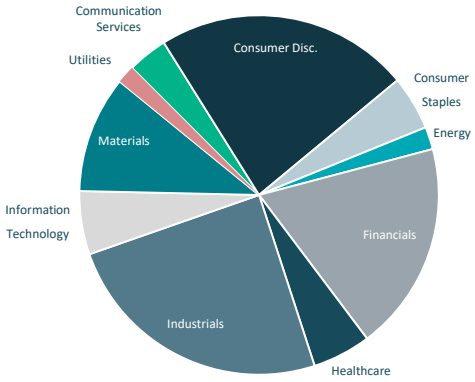
Source: Lancaster Investment Management

Sector Exposure

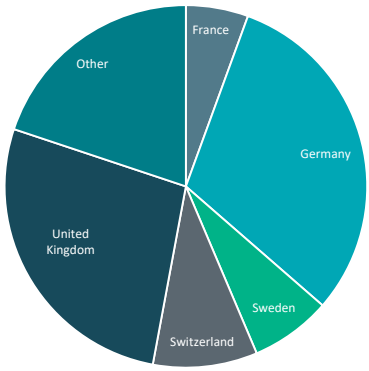


Source: Lancaster Investment Management

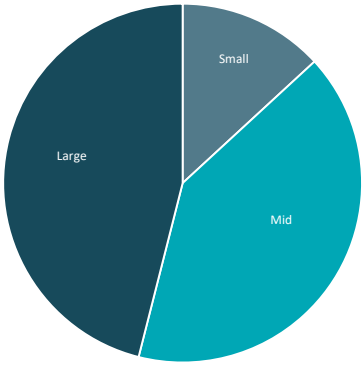
Sector



Country

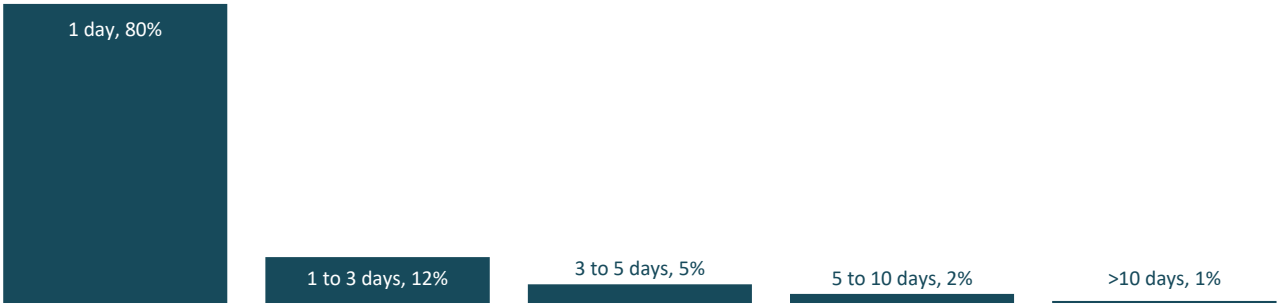


Market Cap



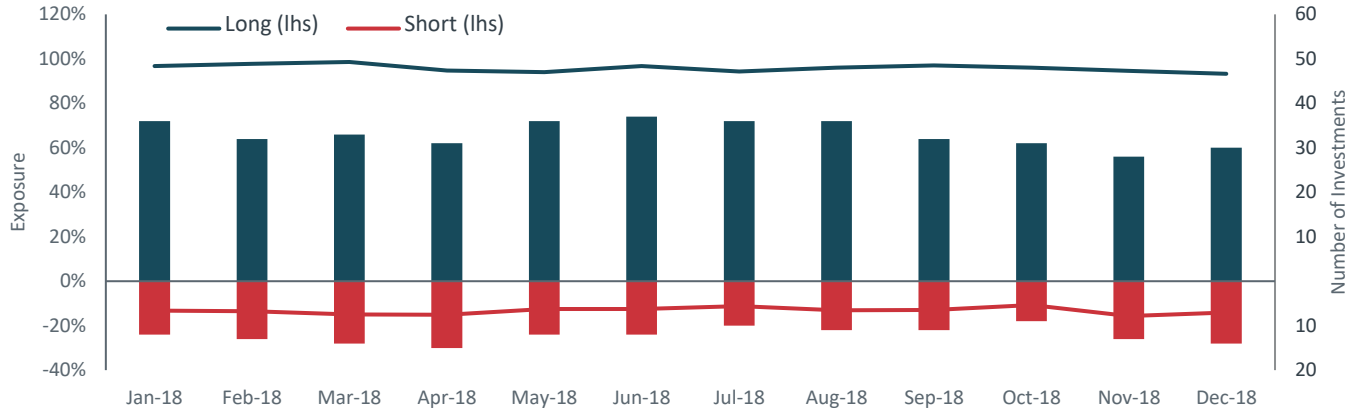
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

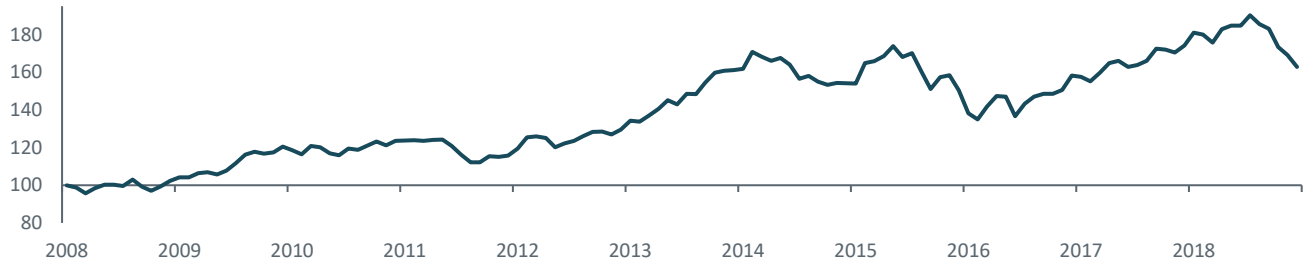
Gross method	1.7
Commitment method	1.0

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%	-2.45%	-1.40%	-5.23%	-2.48%	-3.75%	**-6.61%**	**62.71%**

Performance quoted net of fees from the most invested share class.

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		
Notice Period	60 days	**Administrator**	Morgan Stanley Fund Services
Minimum Investment	$10,000,000	**Auditor**	KPMG
Management Fee	1.0%	**Prime Brokers**	Credit Suisse, Goldman Sachs, Morgan Stanley, UBS
Performance Fee	15%* (subject to HWM)	**Custodian**	State Street
Lockup Period	12 months	**Legal Advisors (UK)**	Schulte Roth & Zabel
Subscriptions	Monthly	**Legal Advisors (US)**	Schulte Roth & Zabel
Gate	None	**Legal Advisors (Cayman)**	Maples & Calder
		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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