LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

January 2019

The fund had a good start to the year returning 6.86% with a number of the key underperformers in December recovering strongly. Tesco released its best Christmas trading numbers in ten years helping it to bounce back from its recent sell-off. With the company entering the final year of management's four year turnaround plan, this was a small but welcome data point. Serco was a top performer after winning two large contracts in UK asylum support services and Australian health services. After a multi-year restructuring, the company is finally returning to growth. PGS shares performed poorly in the second half of 2018 but Q4 trading published in January painted a rosier picture of the underlying business's performance; the stock rebounded strongly. We added two new investments to the long side of the portfolio in January in consumer goods and healthcare; both are companies we know well, have previously owned, and where the sell-off in the fourth quarter presented an attractive entry point. In keeping with the commentary from the year-end investor letter, we added another new accounting-focused short to the portfolio; the company concerned is in business services, has been highly acquisitive and now has very high leverage.

Performance	
Return on month	6.86%
Number of Positions	
Long	31
Short	15
Total	46

Exposure	
Gross	110.2%
Net	77.1%
Net Beta Adj.	74.0%
Long	93.7%
Short	-16.6%

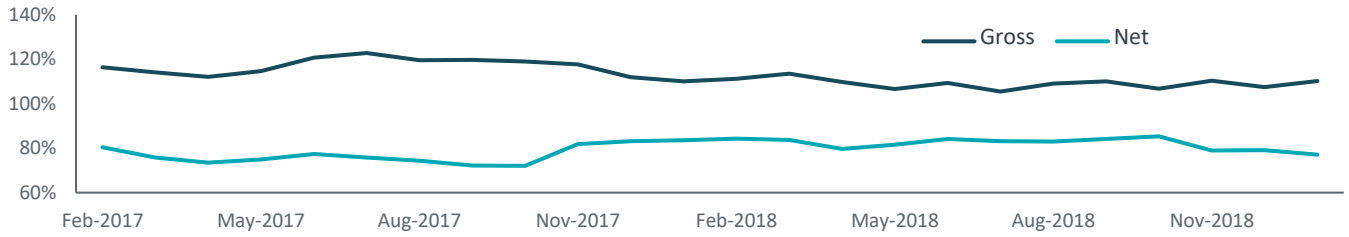
Top 3 Positive Contributors
Tesco
Serco Group
Energy (long)

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

Top 5 Longs	
Tesco	6.0%
EssilorLuxottica	5.7%
Cobham	5.3%
Linde	5.1%
Serco Group	5.0%
Total	**27.1%**

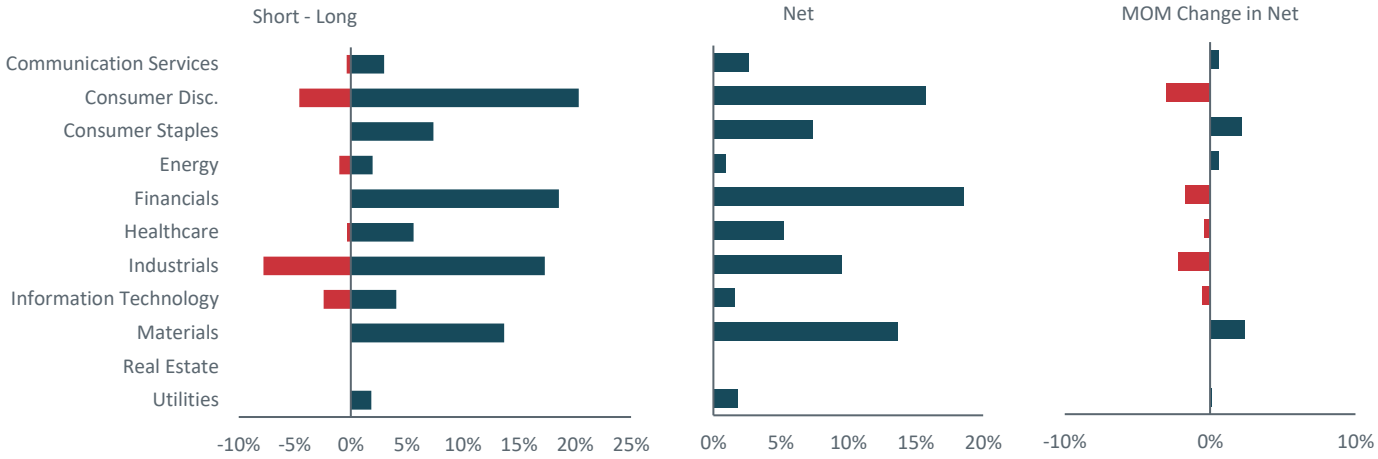
Top 5 Shorts	
Industrial	-2.3%
Consumer Discretionary	-1.7%
Industrial	-1.7%
Consumer Discretionary	-1.6%
Information Technology	-1.4%
Total	**-8.8%**

Rolling 24 Month Gross and Net Exposures



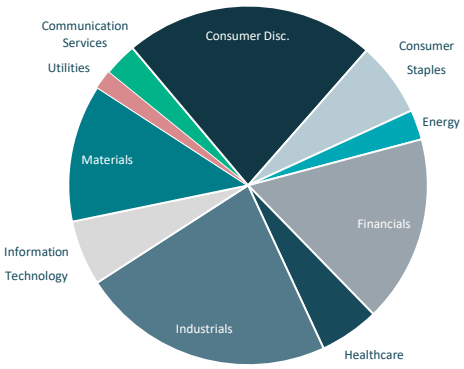
Source: Lancaster Investment Management

Sector Exposure

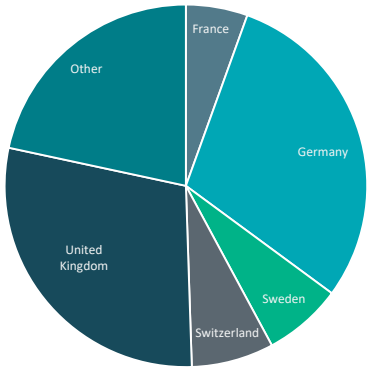


Source: Lancaster Investment Management

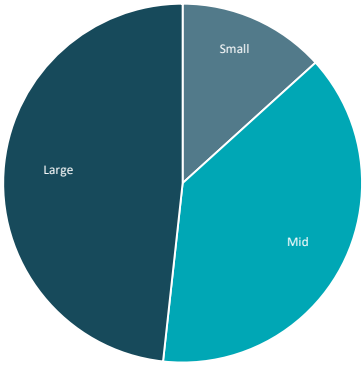
Sector



Country

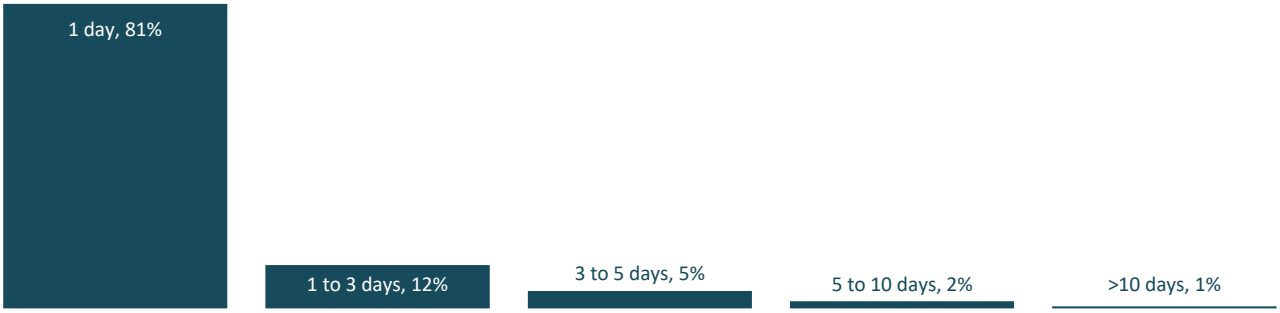


Market Cap



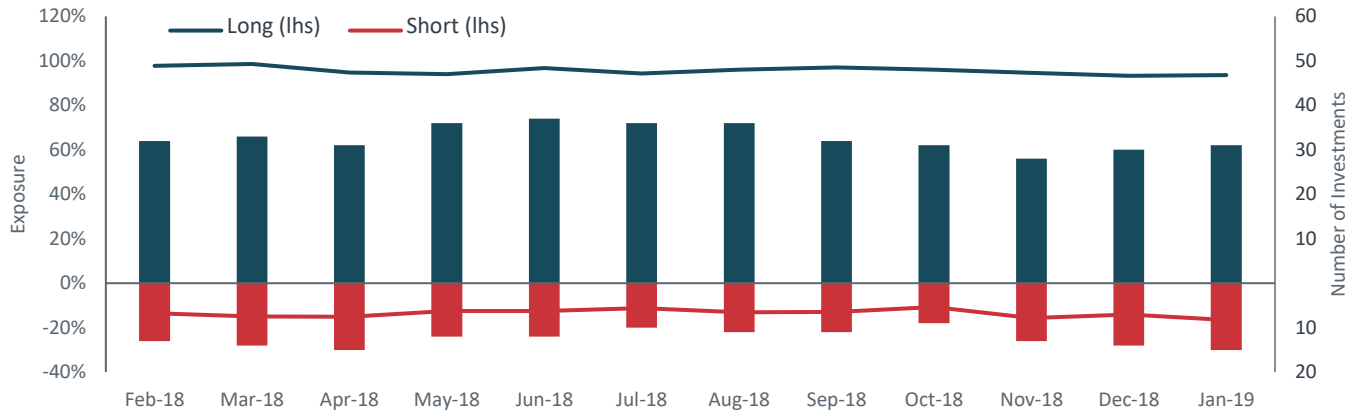
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

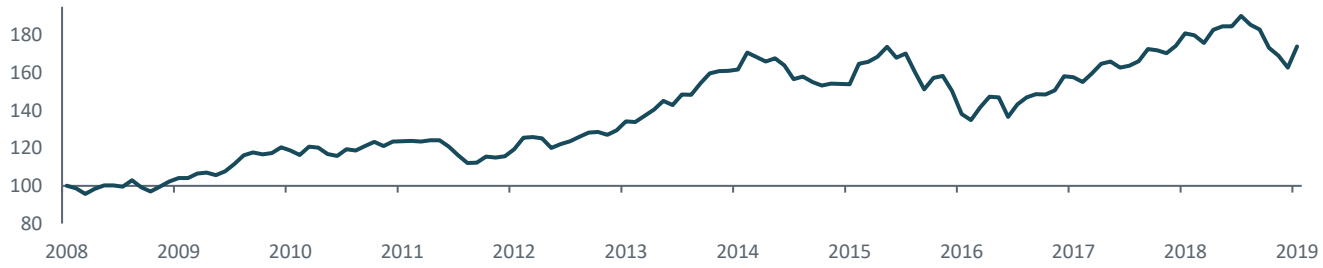
Gross method	1.7
Commitment method	1.1

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%	-2.45%	-1.40%	-5.23%	-2.48%	-3.75%	**-6.61%**	**62.71%**
2019	6.86%												**6.86%**	**73.86%**

Performance quoted net of fees based on 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		
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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