LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

February 2019

The fund returned 3.80% for February, with both sides of the portfolio providing positive performance. Serco was the best performer on the back of full year results. The company outperformed across all key metrics – organic growth, margin and cashflow. This has been a long and painful turnaround but now the company has started to surprise the market positively. Zalando bounced back strongly following satisfactory results; last year's profit warnings had left the stock discounting a bleak margin scenario. UniCredit's positive contribution is also worthy of mention given the street's apathy towards financials in general. The company reported good results with reassurance on capital, continuation of positive execution on restructuring, and the CEO making another substantial personal investment in the shares; with Unicredit trading at just 6x FY19 P/E and the broader sector rising on hopes of ECB action anyway, this was enough to trigger a 20% rally in the month from heavily depressed levels. We added 6 new positions during February of which 4 were new short names. We provided a review of the refinements we have made to our short process in the year end letter and we are pleased to see this, coupled with the addition of a new team member, yielding fresh ideas.

Performance	
Return on month	3.80%
1 year return	0.35%
3 year CAGR	10.17%
5 year CAGR	1.12%

Exposure	
Gross	112.7%
Net	71.8%
Net Beta Adj.	69.1%
Long	92.2%
Short	-20.4%

Number of Positions	
Long	33
Short	19
Total	52

Leverage	
Gross method	1.6
Commitment method	1.0

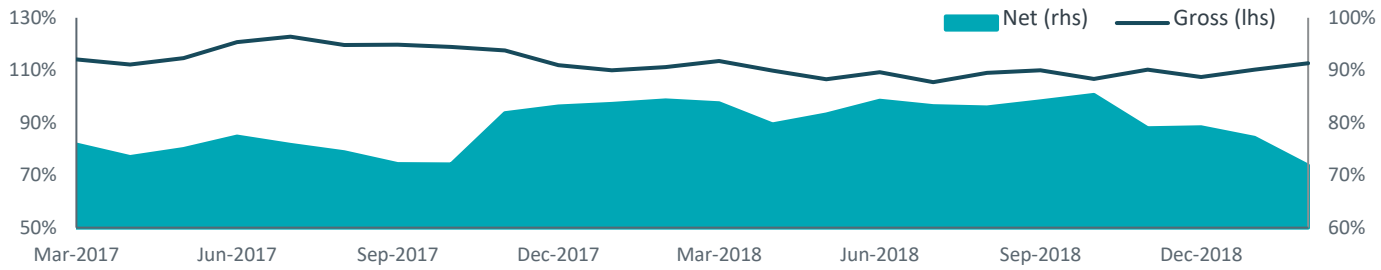
Top 3 Positive Contributors
Serco Group
Zalando
Cobham

Top 3 Negative Contributors
Information Technology (short)
EssilorLuxottica
Industrial (long)

Top 5 Longs	
Tesco	5.9%
EssilorLuxottica	5.5%
Cobham	5.1%
Serco Group	5.0%
Bayer	4.7%
Total	**26.2%**

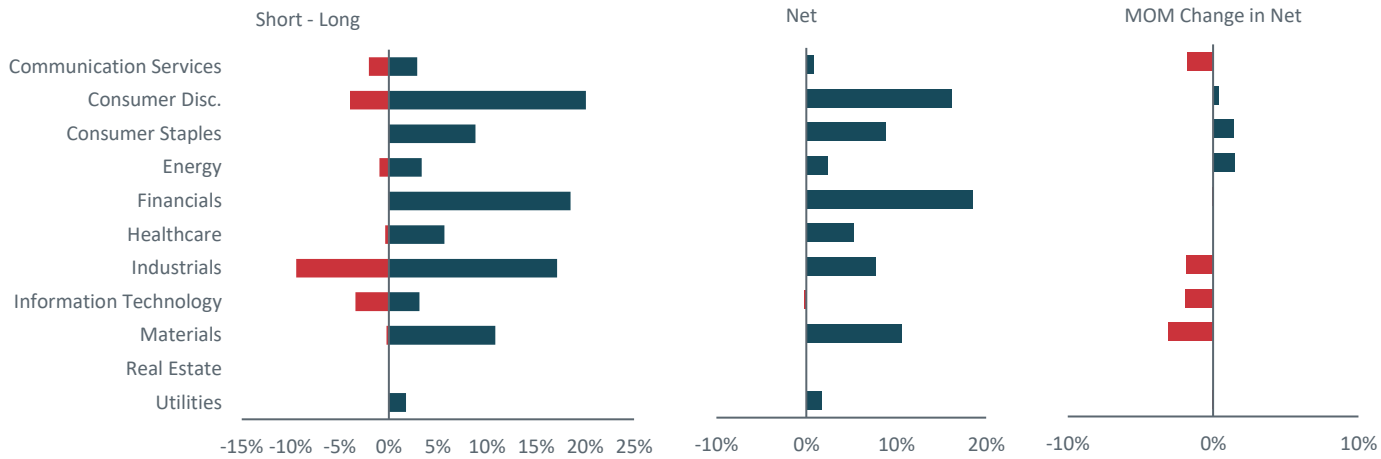
Top 5 Shorts	
Industrial	-2.2%
Communication Services	-2.0%
Information Technology	-1.8%
Industrial	-1.7%
Consumer Discretionary	-1.5%
Total	**-9.2%**

Rolling 24 Month Gross and Net Exposures



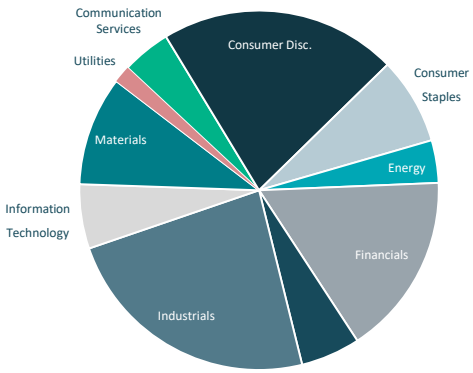
Source: Lancaster Investment Management

Sector Exposure

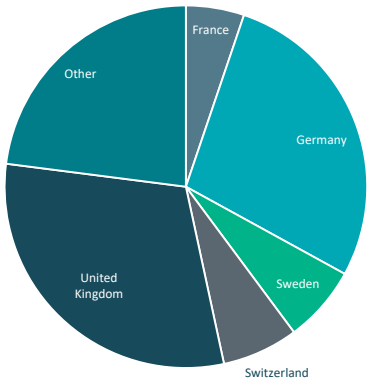


Source: Lancaster Investment Management

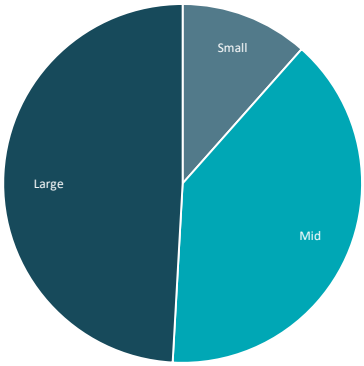
Sector



Country

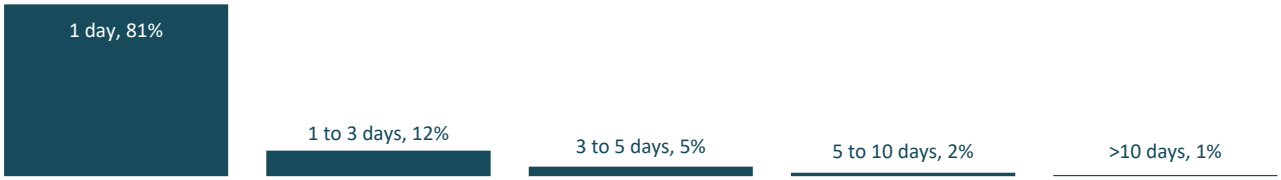


Market Cap



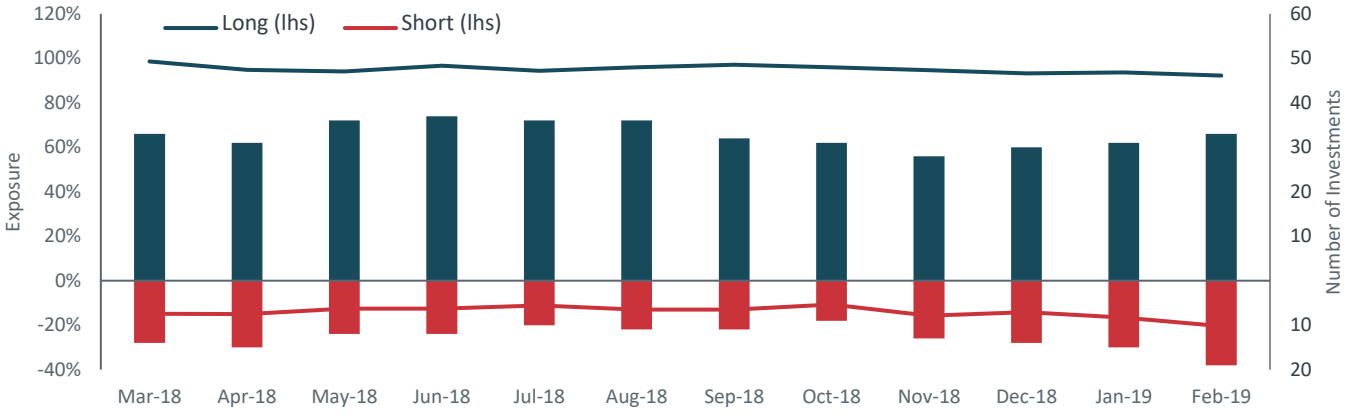
Source: Lancaster Investment Management

Liquidity



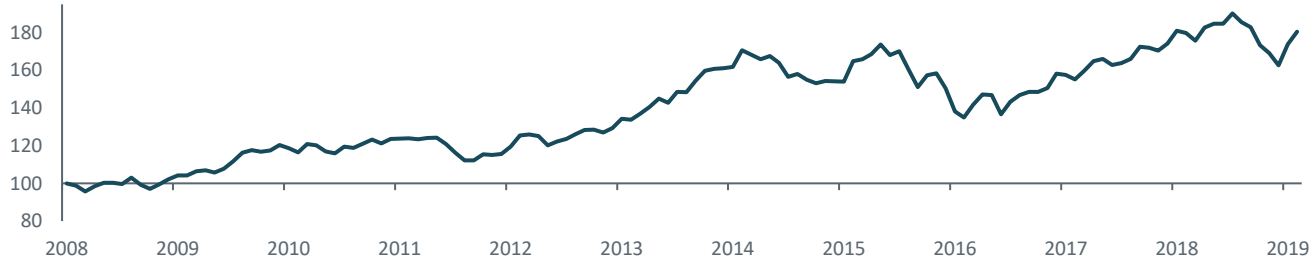
Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Fund Performance



Source: Lancaster Investment Management

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Year**	**Inception**
2019	6.86%	3.80%											**10.92%**	**80.47%**
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%**
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%**
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%**
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%**
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%**
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%**
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%**
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%**
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%**
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%**
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%**

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

LANCASTER
INVESTMENT MANAGEMENT

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

Important Legal Information and Disclaimer

This document and the information contained in it relates to Lancaster European LS Equity Limited, Lancaster European LS Equity LP and Lancaster European LS Equity Master Limited (together the "Funds") and is being communicated by Lancaster Investment Management LLP ("LIM"). LIM is authorised and regulated by the Financial Conduct Authority (the "FCA") of the United Kingdom and is registered as an investment adviser with the United States Securities and Exchange Commission. LIM and its affiliates together will be referred to as "Lancaster" in this document.

This material has been prepared by LIM. LIM may provide you with further data or material but makes no representation that such further data or material will be calculated or produced on the same basis, or in the same format, as this material. LIM has used reasonable skill and care in the preparation of this material from sources it believes to be reliable but Lancaster gives no warranties, representations or undertakings, express or implied, as to the accuracy or completeness of this information, and Lancaster accepts no liability for the accuracy or completeness of any such information. This material has been provided specifically for the use of the intended recipient only and must be treated as proprietary and confidential. It may not be passed on, nor reproduced in any form, in whole or in part, under any circumstances without express written consent from LIM.

This material is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase any of the products or services mentioned nor is it intended to constitute, or be construed as, investment advice. Any such offer may only be made by means of delivery of the relevant approved prospectus or offering memorandum (the "Prospectus"). The Prospectus must be received and reviewed prior to any investment decision. The material provided is not intended to provide a sufficient basis on which to make an investment decision. Potential investors in the Funds referred to in this material or to which this material relates should seek their own independent financial, legal and taxation advice.

The Funds are only available to persons to whom such products may lawfully be promoted in any jurisdiction. Interests in the Funds have not been and will not be registered under any securities laws of the United States of America or any of its territories or possessions or areas subject to its jurisdiction, and may not be offered for sale or sold to nationals or residents thereof except pursuant to an exemption from the registration requirements of the US Securities Act of 1933, as amended (the "Securities Act"), and any applicable state laws. This material is only provided to United States persons that are "accredited investors" as defined in Regulation D under the Securities Act and "qualified purchasers" as defined in the US Investment Company Act of 1940, as amended (the "Company Act"), and the rules promulgated thereunder. In the United Kingdom, this material is issued only to and/or directed only at Professional Clients and Eligible Counterparties (as defined in the FCA's Handbook of Rules and Guidance (the "FCA Rules")). Any Funds and services described in this material are only available to such persons and the information herein should not be relied or acted on by any other person. Moreover, any investment or service to which this material may relate is not intended for Retail Clients and will not be made available to Retail Clients.

LIM does not provide investment advice to investors or potential investors in any Funds.

An investment in the Funds is speculative and involves a high degree of risk, which each investor must carefully consider. LIM and its affiliates give no representations, warranties or undertakings that any indicative performance or return will be achieved in the future or that the investment objectives and policies from time to time of the Funds will be met. Past results are not indicative of future results. The value of investments and the income therefrom can go down as well as up, and an investor could lose all or a substantial amount of his or her investment. While the Funds are subject to market risks common to other types of investments, including market volatility, the Funds employ certain trading techniques, such as the use of leverage and other speculative investment practices that may increase the risk of investment loss. The Funds' managers will receive performance-based compensation. Investments in the Funds are subject to periodic liquidity, which may be suspended under certain conditions, as well as restrictions on transfer. There is no secondary market for interests in the Funds, and none is expected to develop. Therefore, any person subscribing for an investment must be able to bear the risks involved and must meet the suitability requirements set forth in the relevant Fund's Prospectus. Some or all alternative investment programs may not be suitable for certain investors. Returns generated from an investment in a Fund may not adequately compensate investors for the business and financial risks assumed.

The text and statistical data or any portion thereof contained in this document may not be permanently stored in a computer, published, rewritten for broadcast or publication or redistributed in any medium, except with the express written permission of LIM. Lancaster will not be liable for any inaccuracies, errors or omissions in the material or in the transmission or delivery of all or any part thereof or for any damage arising from any of the foregoing.