LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

February 2022

The fund returned 0.32% in February while the European market fell more than 3%. The Russian invasion of Ukraine in the final week of the month initially had a muted effect on the market; the broad sell off only took hold in March. At the stock level, our long holding in BAE Systems, the defense and aerospace company, saw an immediate boost and was our best performing position. This war is a sea change in the West's attitude to defense spending, Germany being the most stark example. Kongsberg, a Norwegian defense and technology long, similarly performed strongly. The short book had a very good month with alpha roughly twice that of the market. The biggest contributor was Maire Tecnimont where questions have started to emerge on their ability to collect unpaid revenues in Russia. We exited one of our US longs, Activision Blizzard, as a source of funds – pinned as it was by the Microsoft cash offer – to grow other names. Our bank longs performed badly during the month, ING being the worst of the pack. Our worst performing position was Trelleborg, last year's best performer. This followed a theme (pre-Ukraine) of weakness in industrials more broadly. We rotated the fund materially in the last few months, exiting or reducing many industrial holdings to fund more defensive investments, financials being the prime example. In many cases, the dislocations in March have allowed us to do the reverse at speed given the elevated liquidity.

Exposure	
Gross	149.6%
Net	58.9%
Long	104.3%
Short	-45.3%

Performance	
Return on month	0.32%
Return YTD	2.04%
1 year return	16.95%
3 year CAGR	15.37%

Number of Positions	
Long	37
Short	26
Total	63

Leverage	
Gross method	2.5
Commitment method	1.5

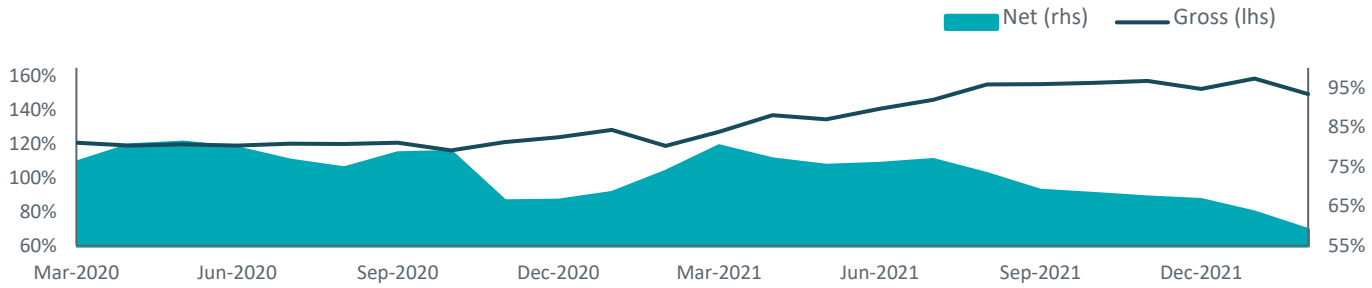
Top 3 Positive Contributors
BAE Systems
Industrial (short)
SX5E Option

Top 3 Negative Contributors
Trelleborg
ING
Erste Bank

Top 5 Longs	
Trelleborg	4.7%
Constellium	4.2%
Danone	4.1%
Next	4.0%
BAE Systems	3.7%
Total	**20.6%**

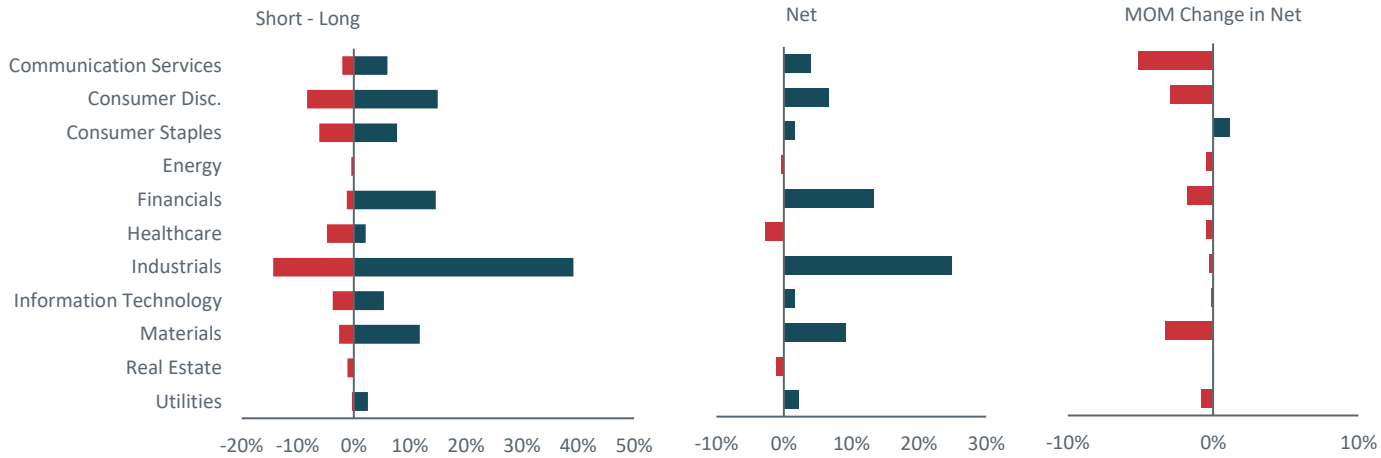
Top 5 Shorts	
SX5E Option	-7.0%
SPX Option	-2.3%
Industrial	-2.2%
Consumer Staple	-2.0%
Consumer Discretionary	-2.0%
Total	**-15.4%**

Rolling 24 Month Gross and Net Exposures



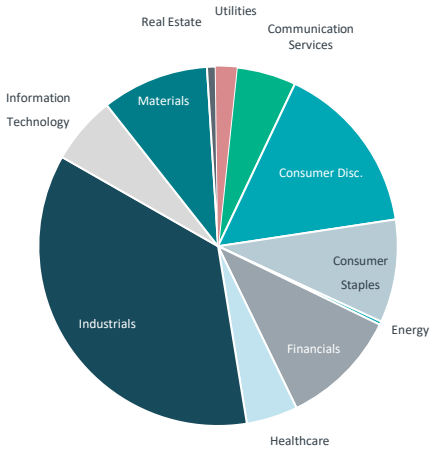
Source: Lancaster Investment Management

Sector Exposure

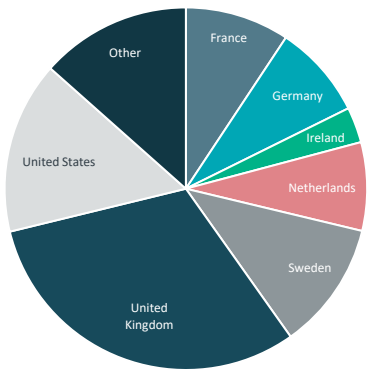


Source: Lancaster Investment Management

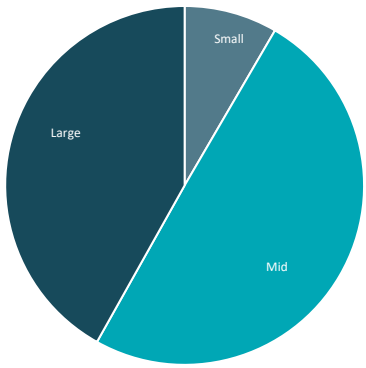
Sector



Country

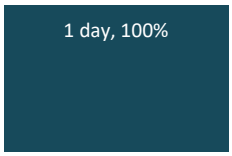


Market Cap



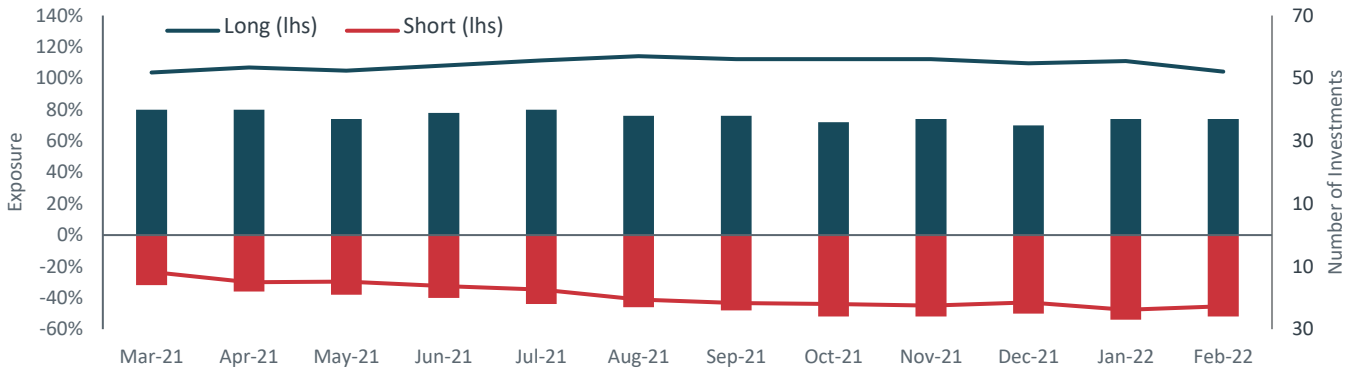
Source: Lancaster Investment Management

Liquidity



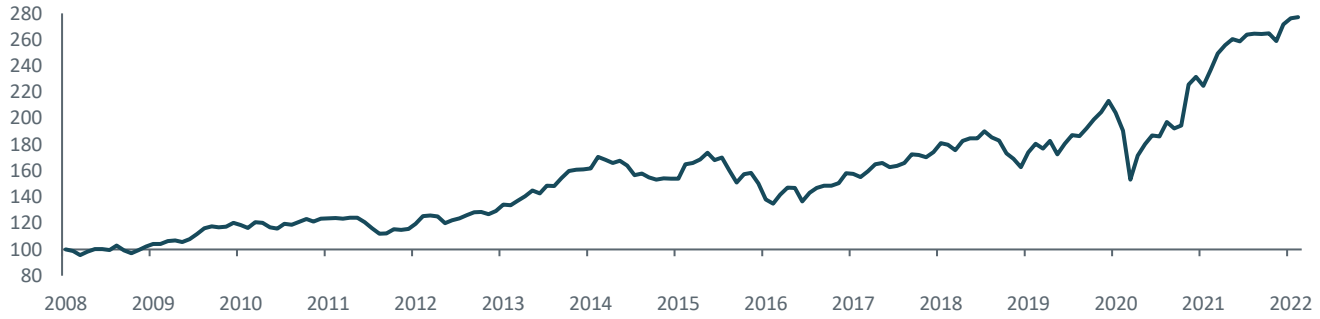
Source: Lancaster Investment Management, Bloomberg

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	YTD	Inception
2022	1.71%	0.32%											**2.04%**	**177.10%**

	YTD	2021	2020	2019	2018	2017
Lancaster European LS Equity	2.04%	17.27%	8.64%	31.01%	-6.61%	10.13%
STOXX Europe 600 Net Return	-6.95%	24.91%	-1.99%	26.82%	-10.77%	10.58%
MSCI Europe Net Return	-6.12%	22.61%	-2.21%	23.75%	-10.59%	13.06%

Performance quoted net of fees based on the most invested share class. Other share classes with higher fees may exist. Full monthly performance available on request.

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Lancaster European LS Equity Details

Launch date	February 2008			
	Class A	**Class B**		
Redemptions	Monthly	Quarterly	**Fund Structure**	Cayman Master Feeder
Notice Period	30 days	60 days	**Administrator**	Morgan Stanley Fund Services
Minimum Investment	$5,000,000	$5,000,000	**Auditor**	KPMG
Management Fee	1.25%	1.0%	**Prime Brokers**	Goldman Sachs, Morgan Stanley, UBS
Performance Fee	20.0%	17.5%*	**Legal Advisors (UK)**	Schulte Roth & Zabel
Lockup Period	None	None	**Legal Advisors (US)**	Schulte Roth & Zabel
Subscriptions	Monthly	Monthly	**Legal Advisors (Cayman)**	Maples & Calder
Gate	None	None	**Contact Details**	Rory Hayward rory.hayward@lancasterIM.co.uk +44 20 7842 1050

* Payable over multiple years – please see offering documents

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