LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

July 2022

The fund returned 4.59% on the month. The portfolio recovered well in July after a difficult end to the first half. The same investor debates that caused June's market sell-off – inflation, interest rates and recession risk – swung markets back up in July. It seems reasonable to expect such gyrations to continue. Our response has been to trade some of our more volatile positions actively, both on the long and short side. On occasion we have also sacrificed lower conviction longs for higher conviction names that have seen large drawdowns; the portfolio has a surfeit of ideas, and competition for capital is high. We sold our UK housebuilder during the month and used the proceeds to grow three core positions. In total we exited three positions during the month in this effort to high grade the portfolio. We also initiated three new long positions including the Norwegian aluminium supplier, Norsk Hydro. The share price has been weak against the backdrop of a broad selloff in commodity prices. Aluminium has compelling long term demand drivers and a structurally changing supply side with rising power prices in Europe. Norsk Hydro has long term access to low-cost and clean energy enabling production with the lowest carbon intensity at the bottom of the cost curve. The shares are trading on a double digit free cash flow yield with a net cash balance sheet. The market bounce also allowed a good entry point for three new shorts.

Exposure	
Gross	147.6%
Net	59.6%
Long	103.6%
Short	-44.0%

Performance	
Return on month	4.59%
Return YTD	2.35%
1 year return	5.39%
3 year CAGR	14.09%

Number of Positions	
Long	37
Short	25
Total	62

Leverage	
Gross method	2.6
Commitment method	1.5

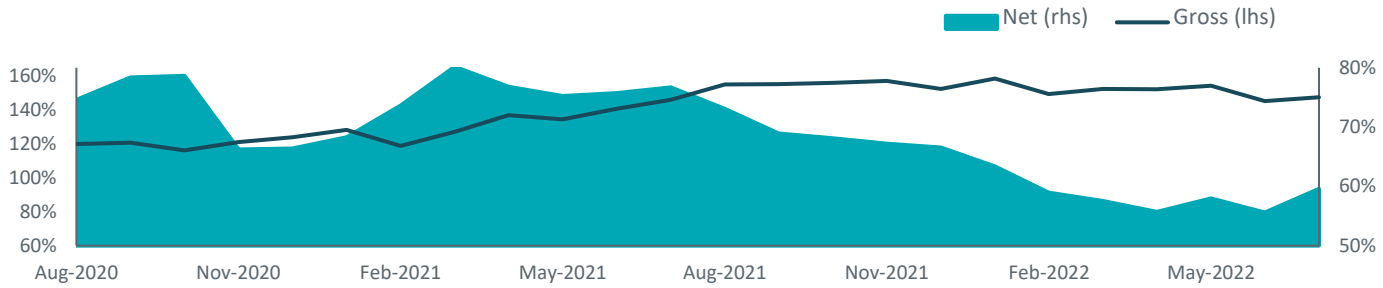
Top 3 Positive Contributors
Next
Autoliv
Trelleborg

Top 3 Negative Contributors
Industrial (short)
SX5E Option (short)
BT

Top 5 Longs	
Next	5.9%
Autoliv	4.5%
Danone	4.3%
Greggs	4.2%
RS Group	4.2%
Total	**23.1%**

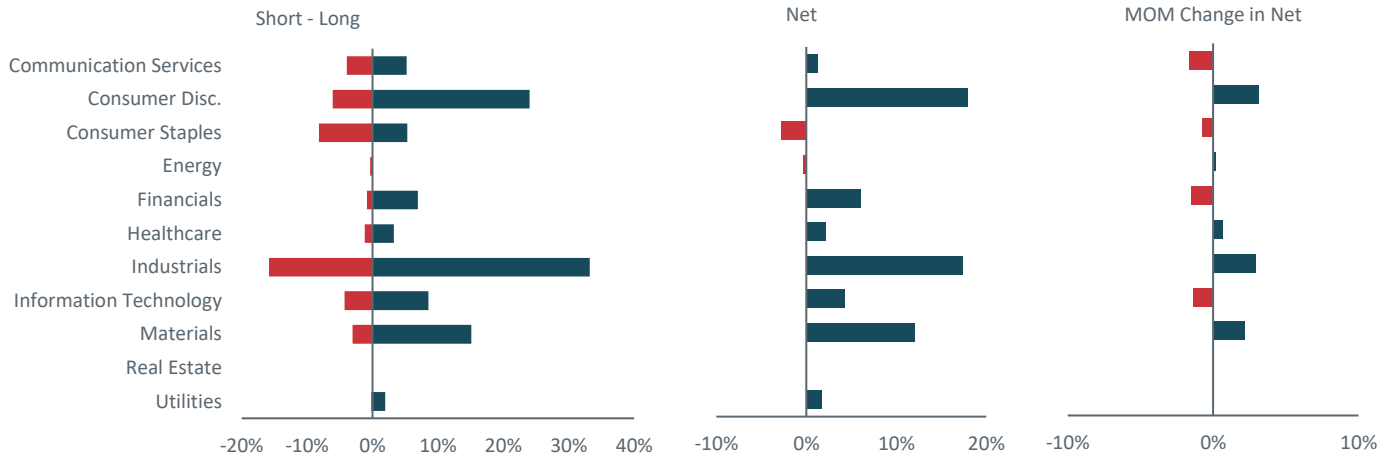
Top 5 Shorts	
SX5E Option	-6.3%
Consumer Staple	-2.4%
Industrial	-2.4%
Consumer Discretionary	-2.4%
Communication Service	-2.3%
Total	**-15.8%**

Rolling 24 Month Gross and Net Exposures



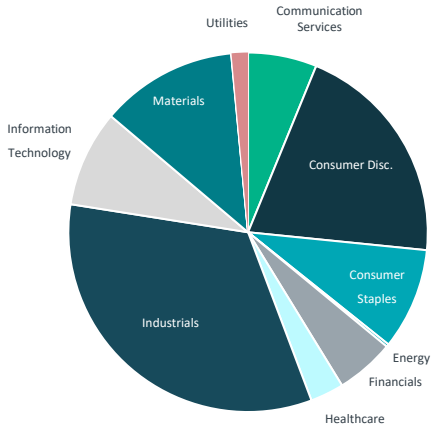
Source: Lancaster Investment Management

Sector Exposure

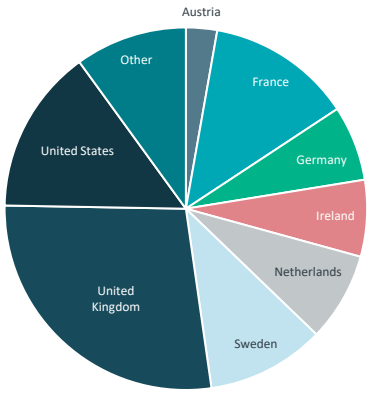


Source: Lancaster Investment Management

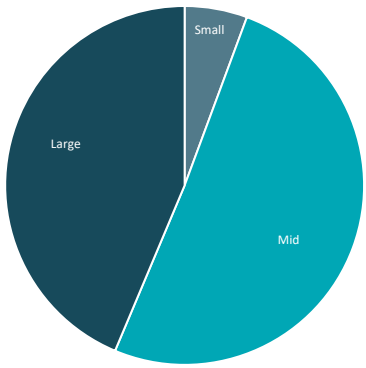
Sector



Country



Market Cap

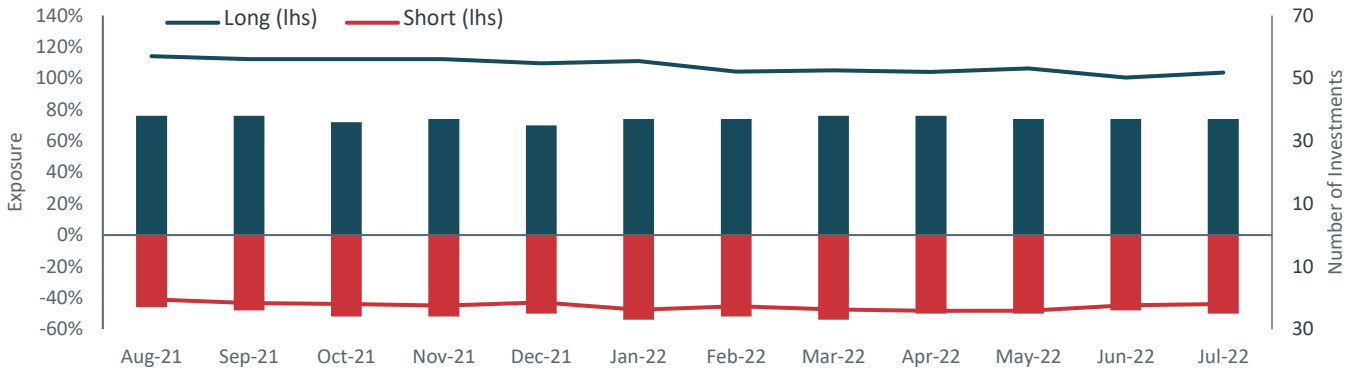


Source: Lancaster Investment Management

Liquidity

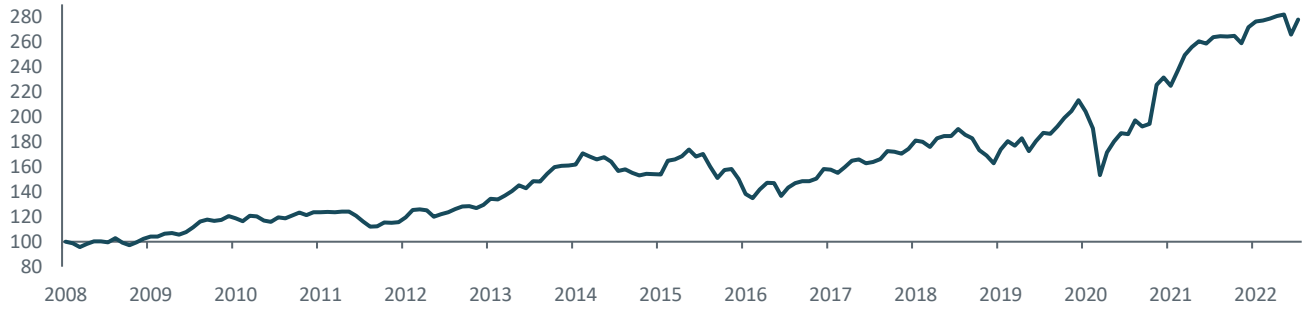
Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

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%	0.54%	0.79%	0.40%	-5.72%	4.59%						**2.35%**	**177.96%**

	YTD	2021	2020	2019	2018	2017
Lancaster European LS Equity	2.35%	17.27%	8.64%	31.01%	-6.61%	10.13%
STOXX Europe 600 Net Return	-8.39%	24.91%	-1.99%	26.82%	-10.77%	10.58%
MSCI Europe Net Return	-8.28%	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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