LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

May 2023

The fund's net return was -1.61% in May. The month was characterised by very good short performance but a weaker long book. We had a good outcome in our short in Advance Auto Parts which issued a major profit warning. The stock fell over 30% and we exited the position. We also saw a strong contribution from our short in an unrelated automotive services company. The CFO left the company and the stock was weak. In the long book, while there was some negative news at the individual position level, most of the underperformance came from broader macro factors. European economic data underwhelmed while the revival of technology stocks, boosted by AI enthusiasm, came at the cost of other sectors. UK inflation was also stubbornly high. The two worst performing longs were Signify and RS Group; both sold off on results. While very different businesses, both are industrials where recession fears are very much at the front of investors' minds. Near term softer trading was not well received and both stocks were weak. The best long was Ryanair. Fears of a slowdown in air travel have clouded the long term story for the company. However, the market is increasingly recognising the leap forward in competitiveness made by Ryanair during the pandemic. Furthermore, with growth opportunities for the company still meaningful but reduced in percentage terms by the sheer scale of the company, the street has woken up to the prospect for meaningful cash returns.

Performance (net)	
Return on month	-1.61%
Return YTD	8.70%
1 year return	9.83%
3 year return	71.74%
5 year return	67.64%
10 year return	113.46%

Trailing CAGR (net)	
3 year	19.75%
5 year	10.89%
10 year	7.88%

Performance quoted net of fees based on the most invested share class

Exposure	
Gross	141.3%
Net	58.8%
Long	100.0%
Short	-41.3%

Portfolio Characteristics	
Long position count	35
Short position count	26
Gross leverage method	1.9
Commitment leverage method	1.4

Top 3 Positive Contributors
Consumer Discretionary (short)
Industrial (short)
Ryanair

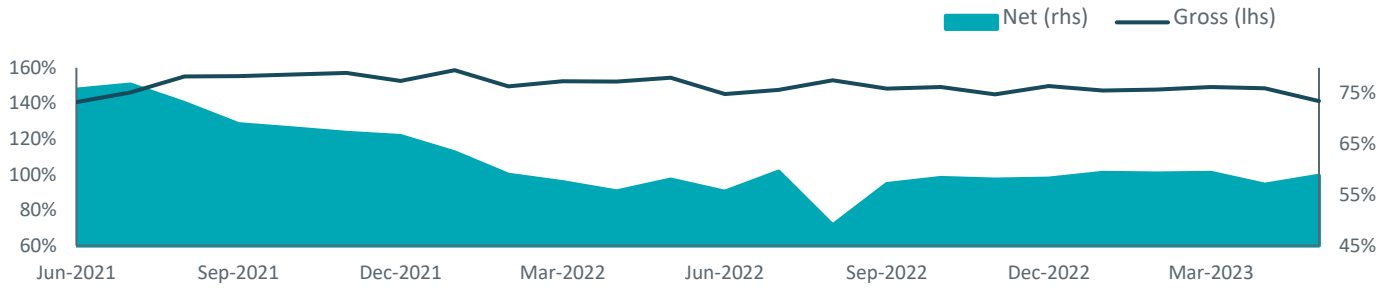
Top 3 Negative Contributors
Signify
RS Group
Next

Top 5 Longs	
Next	6.4%
Novozymes	4.6%
Autoliv	4.2%
Michelin	4.0%
Signify	4.0%
Total	**23.1%**

Top 5 Shorts	
SX5E Option	-6.1%
Industrial	-2.3%
Industrial	-2.3%
Industrial	-2.2%
Consumer Staple	-2.0%
Total	**-14.8%**

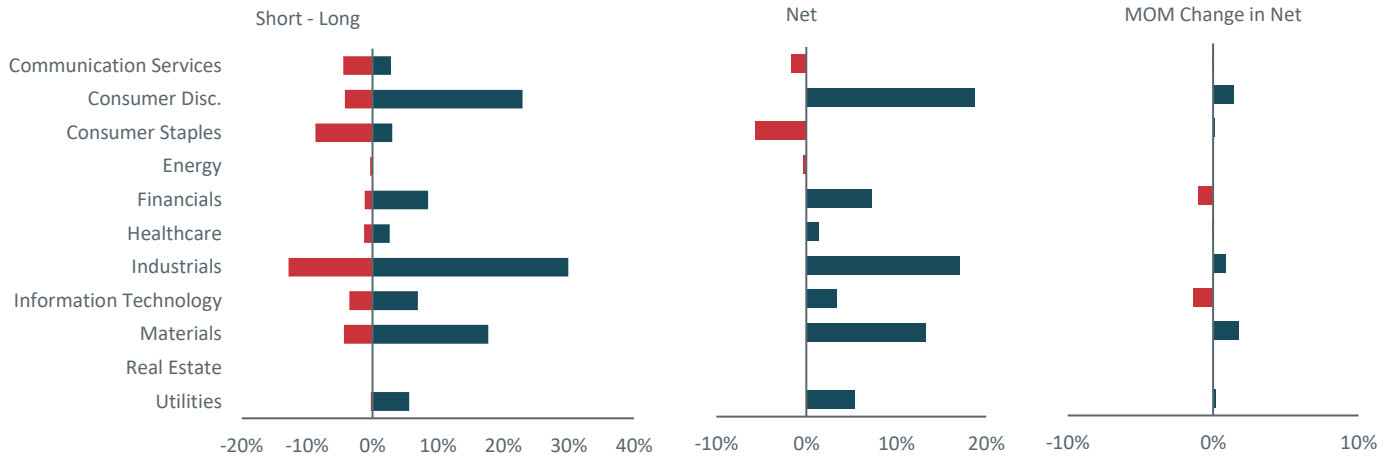
All data sourced from Lancaster Investment Management and Bloomberg

Rolling 24 Month Gross and Net Exposures



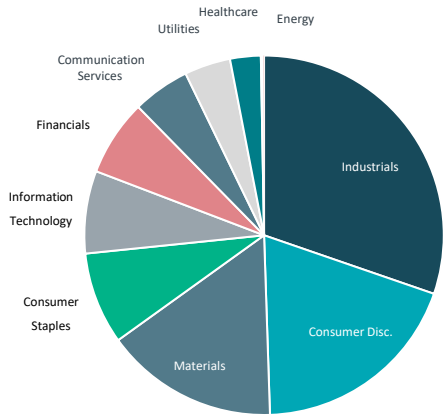
Source: Lancaster Investment Management

Sector Exposure

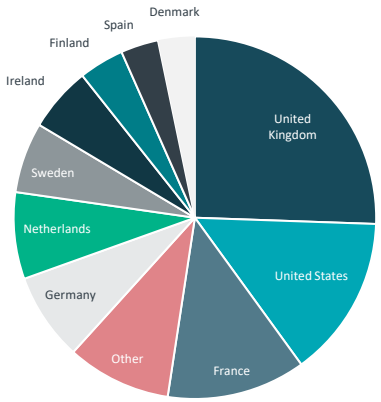


Source: Lancaster Investment Management

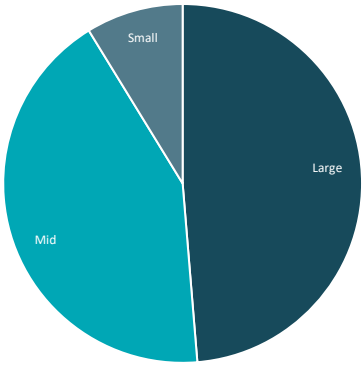
Sector



Country



Market Cap



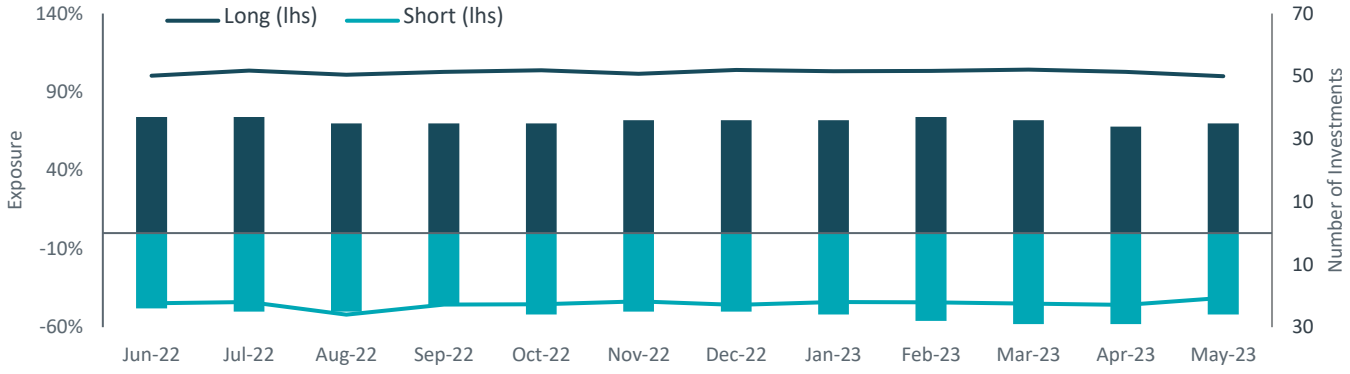
Source: Lancaster Investment Management

Charts for illustrative purposes only

Liquidity

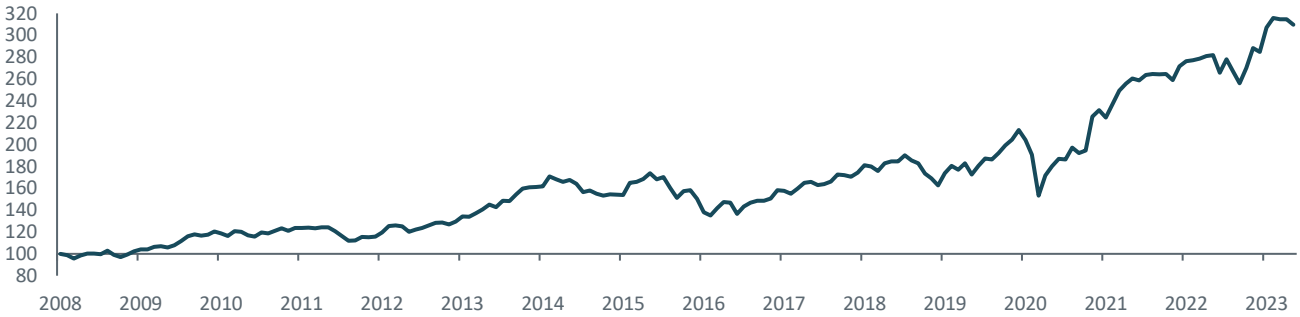
Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Fund Performance (net)



Source: Lancaster Investment Management

Historical Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	7.74%	2.90%	-0.37%	0.01%	-1.61%								**8.70%**

	YTD	2022	2021	2020	2019	2018	Inception
Lancaster European LS Equity	8.70%	4.88%	17.27%	8.64%	31.01%	-6.61%	**209.61%**
STOXX Europe 600 Net Return	8.24%	-10.64%	24.91%	-1.99%	26.82%	-10.77%	**120.41%**
MSCI Europe Net Return	7.91%	-8.54%	22.61%	-2.21%	23.75%	-10.59%	**119.56%**

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**	Ernst & Young
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)**	Walkers
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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