

Lancaster European LS Equity

September 2023

The fund's net return was 0.55% in September. Our short book had a strong month with one large winner in particular in a US construction company. The company reported in August but continued to talk down numbers in the September conference season. With leverage approaching covenants, it was a name we chose to press despite a weak share price. We believe the company may need an equity injection. We added two new shorts, a global pest control company and a Finnish industrial OEM. Both exhibit many of the red flags we look for. The former is an M&A roll-up with overstated organic growth while the latter is trying to hide margin pressure from weak project execution through accounting adjustments. Turning to the long book, with Q2 reporting largely over, there was little company specific news to move our names. Next was one of the few companies to report, raising full year profit guidance for its financial year ending January 2024. The stock moved higher on this news. Wage inflation has been benefitting its customer base even as cost inflation bites. The company pointed to increased propensity by its customers to pay full price, something we have heard talk of from other clothing retailers as well, notably Zalando. Having exited our long in Zalando early in the year, we have been buying back the position recently. The stock had a difficult September, however, as warm summer weather continued in its core countries. Q3 numbers will be weak but we find it hard to justify the stock falling over 25%. We materially added to our position. We exited two longs during the month: Airbus and Convatec. We bought Airbus in the early months of the pandemic in 2020. Valuation now fully reflects the quality of the company and its market position in our view. Our decision to exit Convatec, a medical device company that has undergone a successful turnaround in the three years since we invested, was more of a relative call. We used the proceeds to fund further investment in higher quality names such as Novozymes and LSEG which came under pressure during the month and offer greater upside.

Performance (net)

Return on month	0.55%
Return YTD	15.51%
1 year return	28.45%
3 year return	71.07%
5 year return	79.89%
10 year return	113.10%

Trailing CAGR (net)

3 year	19.60%
5 year	12.46%
10 year	7.86%

Performance quoted net of fees based on the most invested share class (Class B\$)

Exposure

Gross	136.5%
Net	56.3%
Long	96.4%
Short	-40.1%

Portfolio Characteristics

Long position count	31
Short position count	23
Gross leverage method	1.9
Commitment leverage method	1.4

Top 3 Positive Contributors

Industrial (short)
Industrial (short)
Anglo American

Top 3 Negative Contributors

Zalando
Husqvarna
Novozymes

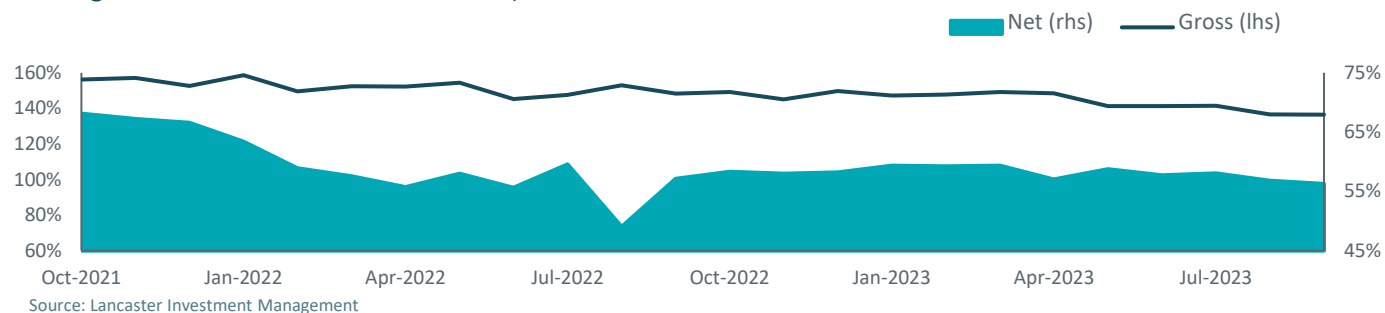
Top 5 Longs

Novozymes	6.6%
Next	4.8%
Signify	4.2%
Husqvarna	4.1%
Autoliv	4.1%
Total	23.8%

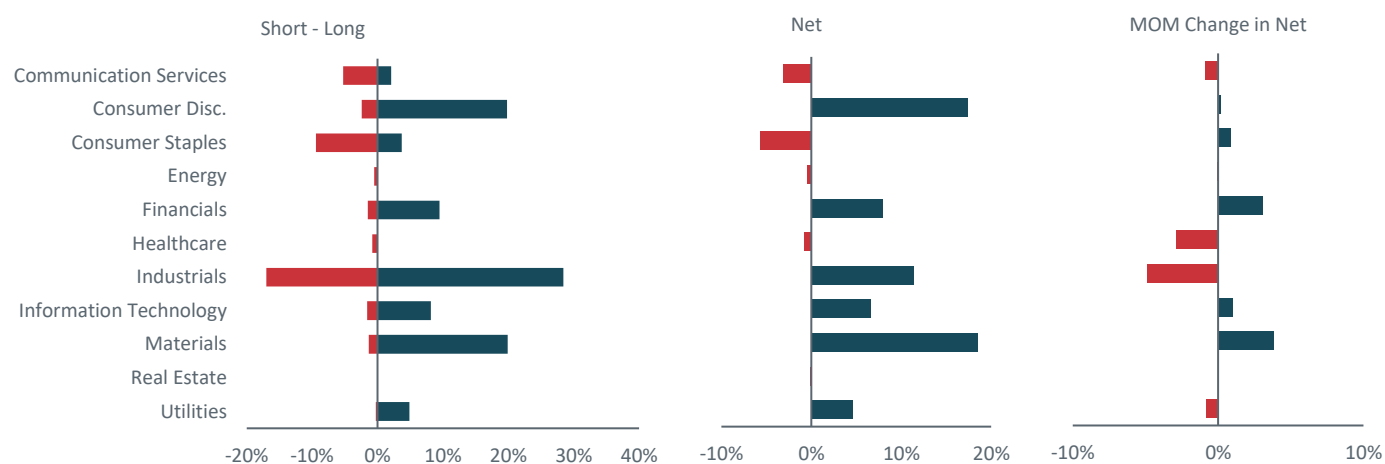
Top 5 Shorts

SX5E Option	-5.5%
SPX Option	-3.0%
Communication Services	-2.4%
Industrial	-2.3%
Industrial	-1.9%
Total	-15.1%

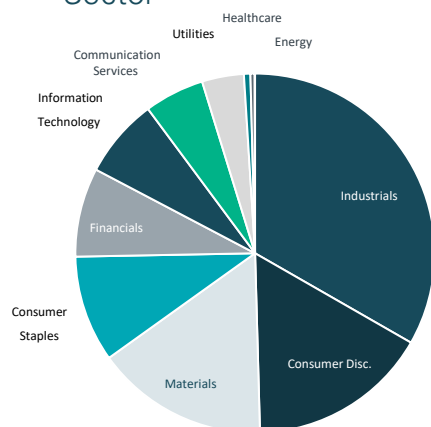
Rolling 24 Month Gross and Net Exposures



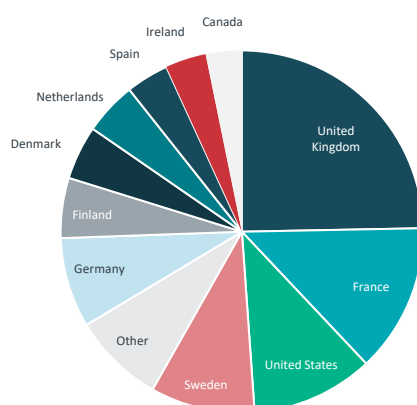
Sector Exposure



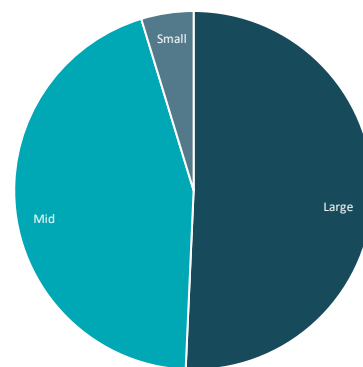
Sector



Country



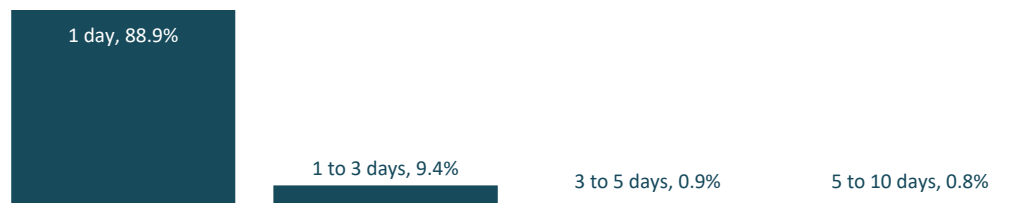
Market Cap



Source: Lancaster Investment Management

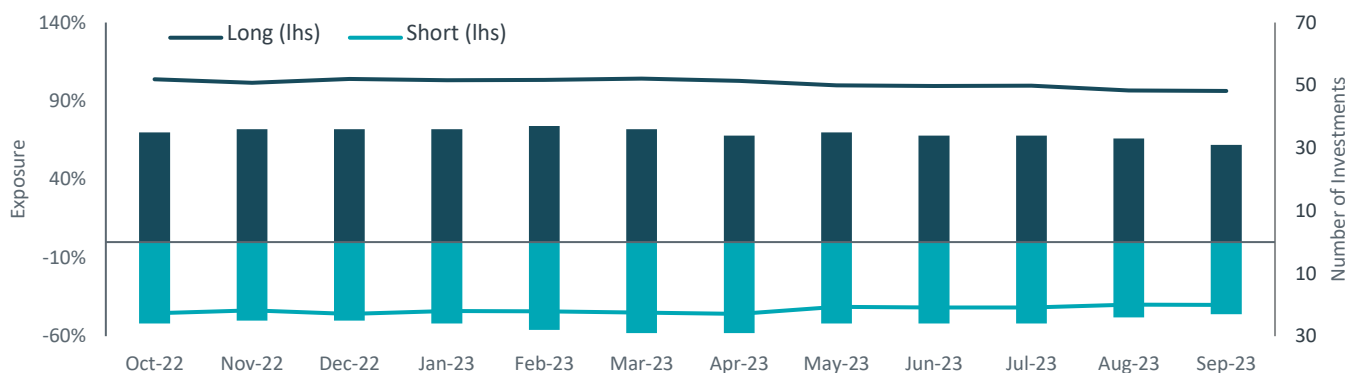
Charts for illustrative purposes only

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%	-1.78%	3.18%	4.06%	-1.39%	0.55%				15.51%

	YTD	2022	2021	2020	2019	2018	Inception
Lancaster European LS Equity	15.51%	4.88%	17.27%	8.64%	31.01%	-6.61%	229.03%

STOXX Europe 600 Net Return	8.52%	-10.64%	24.91%	-1.99%	26.82%	-10.77%	120.98%
MSCI Europe Net Return	8.24%	-8.54%	22.61%	-2.21%	23.75%	-10.59%	120.23%

Performance quoted net of fees based on the most invested share class (Class B\$). Other share classes with higher fees exist, please refer to the PPM for full details. Full monthly performance available on request.

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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