LANCASTER
INVESTMENT MANAGEMENT

Lancaster European LS Equity

October 2023

The fund's net return was -0.78% in October. The month saw a broad sell off in equity markets as the world reacted to the attacks on Israel and the prospect of conflict in the Middle East. Once again spiking bond yields also drove equity weakness. The portfolio performed well against this backdrop with good performance in the short book. Our recently initiated short in a U.K. pest control company fell over 30%. In the long book, a strong rally in our largest position, Novozymes, aided performance. We have discussed this position at length in our letters. Adding to the position during sustained weakness in the middle of the year has started to pay off. The market narrative has now moved on from one of fear about short term destocking trends and apathy about the Chr. Hansen merger, to excitement about the latter. The company reported Q3 results during the month, delivering strong organic growth ahead of market expectations. Danone also reported good Q3 results. Having taken "brutal" action – the company's word – to reduce a sprawling SKU count, management is optimistic that volumes will turn positive shortly. We believe consolidating marketing spend behind fewer, stronger brands will reignite organic growth. Negative contribution in the long book came from a broad number of cyclical names, not least the airlines, given the sharp hit to risk appetite.

Performance (net)	
Return on month	-0.78%
Return YTD	14.62%
1 year return	20.82%
3 year return	67.92%
5 year return	88.34%
10 year return	104.41%

Trailing CAGR (net)	
3 year	18.86%
5 year	13.50%
10 year	7.41%

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

Exposure	
Gross	137.2%
Net	55.5%
Long	96.3%
Short	-40.8%

Portfolio Characteristics	
Long position count	30
Short position count	22
Gross leverage method	1.9
Commitment leverage method	1.4

Top 3 Positive Contributors
Novozymes
Industrial (short)
Industrial (short)

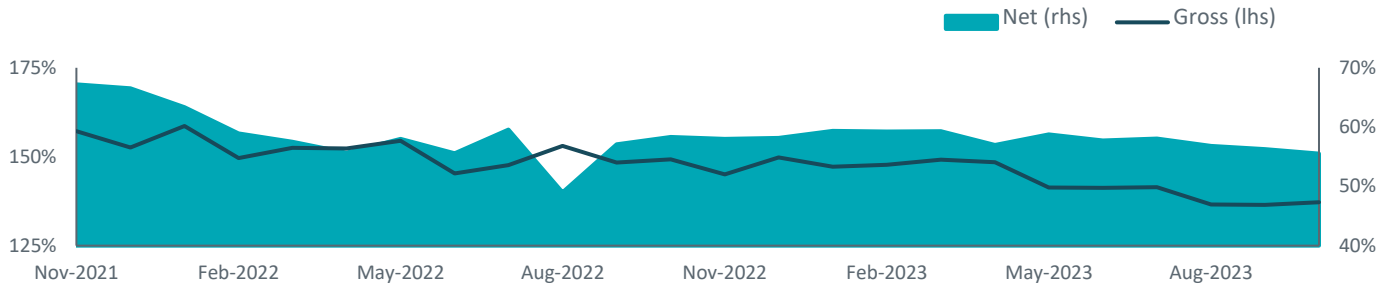
Top 3 Negative Contributors
Husqvarna
Constellium
ArcelorMittal

Top 5 Longs	
Novozymes	7.7%
Next	5.0%
Signify	4.2%
Danone	4.2%
Autoliv	4.2%
Total	**25.3%**

Top 5 Shorts	
SX5E Option	-5.8%
SPX Option	-3.4%
Industrial	-2.5%
Consumer Staple	-2.0%
Consumer Staple	-1.9%
Total	**-15.5%**

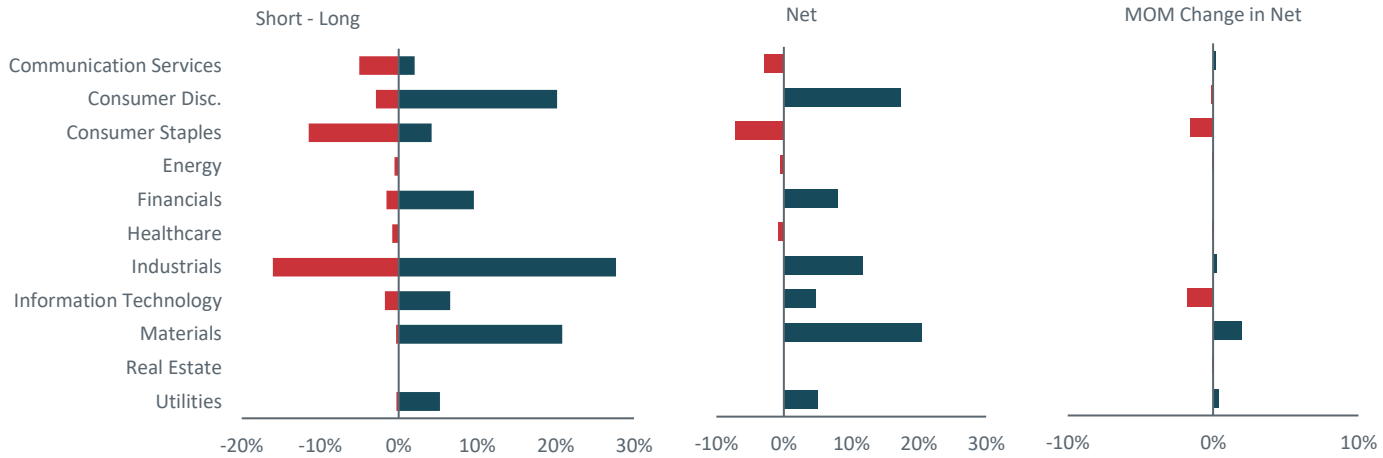
All data sourced from Lancaster Investment Management and Bloomberg

Rolling 24 Month Gross and Net Exposures



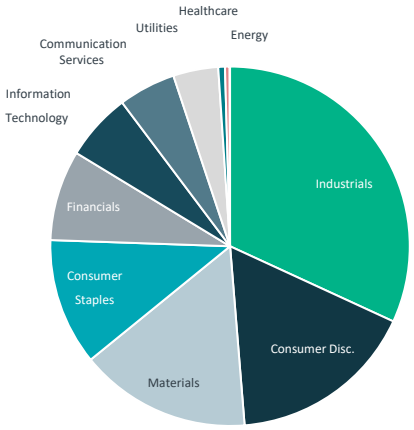
Source: Lancaster Investment Management

Sector Exposure

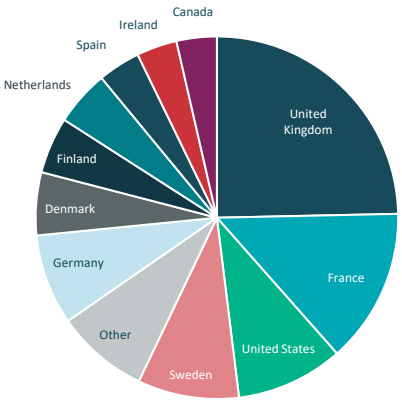


Source: Lancaster Investment Management

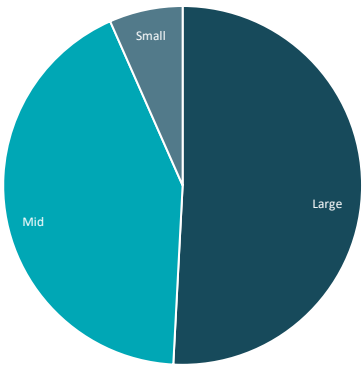
Sector



Country



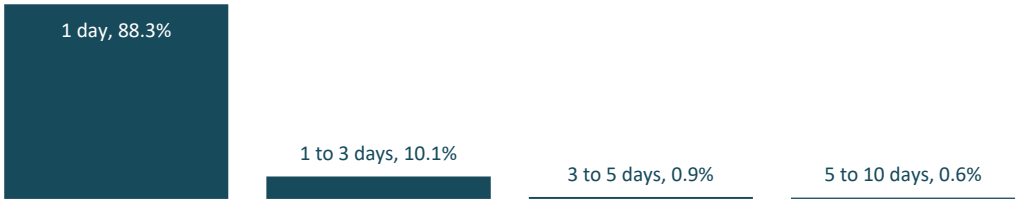
Market Cap



Source: Lancaster Investment Management

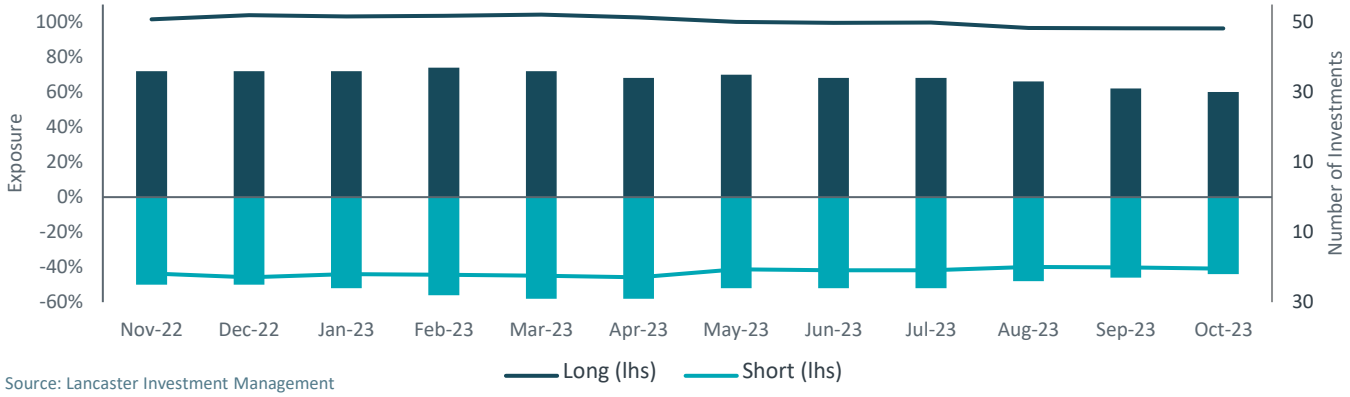
Charts for illustrative purposes only

Liquidity



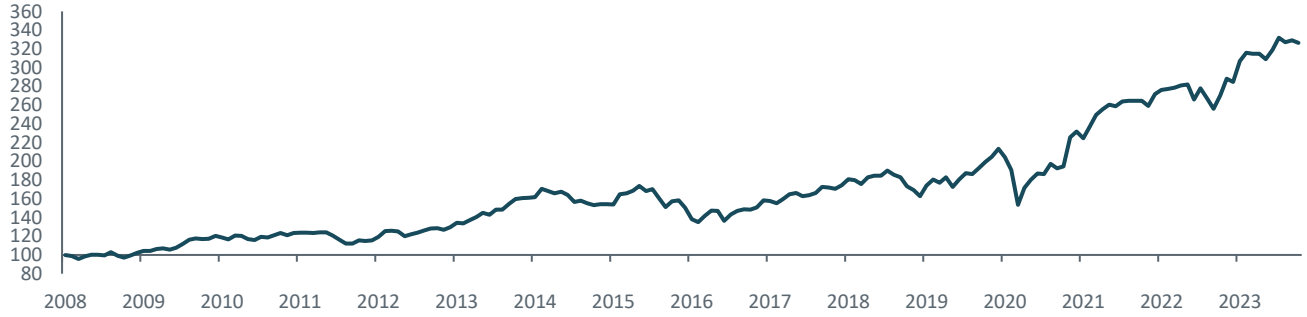
Source: Lancaster Investment Management, Bloomberg

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%	-1.78%	3.18%	4.06%	-1.39%	0.55%	-0.78%			**14.62%**

	YTD	2022	2021	2020	2019	2018	Inception
Lancaster European LS Equity	14.62%	4.88%	17.27%	8.64%	31.01%	-6.61%	**226.48%**
STOXX Europe 600 Net Return	4.60%	-10.64%	24.91%	-1.99%	26.82%	-10.77%	**112.99%**
MSCI Europe Net Return	4.55%	-8.54%	22.61%	-2.21%	23.75%	-10.59%	**112.73%**

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.

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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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