LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

January 2018

The fund had a good start to the year. While GKN received a takeover offer it was also pleasing to see strong positive contribution come from a number of other names. As things stand GKN has a firm offer from Melrose Industries but this has been rejected by the board. Melrose has identified the same structural opportunities as ourselves, namely to improve cost, pricing and cash generation. We expect the Melrose offer to be increased or a white knight to be found. Another outperformer, PGS, was one of our worst performers in 2017; poor share price performance last year was driven by fears of an equity raise. We continue to see this as unlikely and good results announced in January have reassured the market somewhat. Next had very good Christmas trading, both in-store and online; this UK retailer continues to be something of a contrarian holding. Lastly, Hellenic Telecom was another good performer as management unexpectedly hiked the dividend payout. We exited our long standing investment in Deutsche Pfandbriefbank, the German bank, during the month; this has been a good investment but capital remains tight in the portfolio.

Performance	
Return on month	4.72%
Number of positions	36

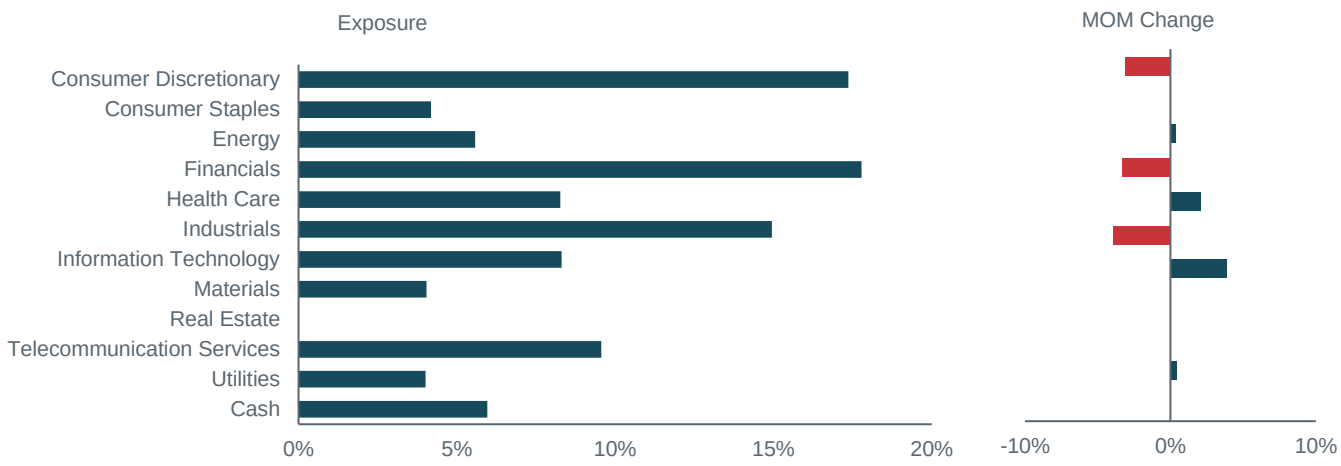
Exposure	
Cash	3.5%
Beta	91.2%
Average market cap ($ millions)	24,076

Top 3 Positive Contributors
GKN
Energy
Consumer Discretionary

Top 3 Negative Contributors
Serco Group
Utility
Consumer Discretionary

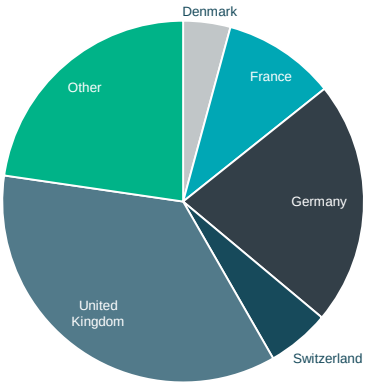
Top 5 Longs	
Essilor International	6.3%
Serco Group	4.4%
Kingfisher	4.2%
Tesco	4.2%
GKN	4.1%
Total	**23.3%**

Sector Exposure

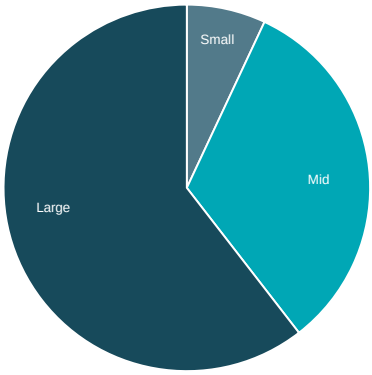


Source: Lancaster Investment Management

Country Exposure

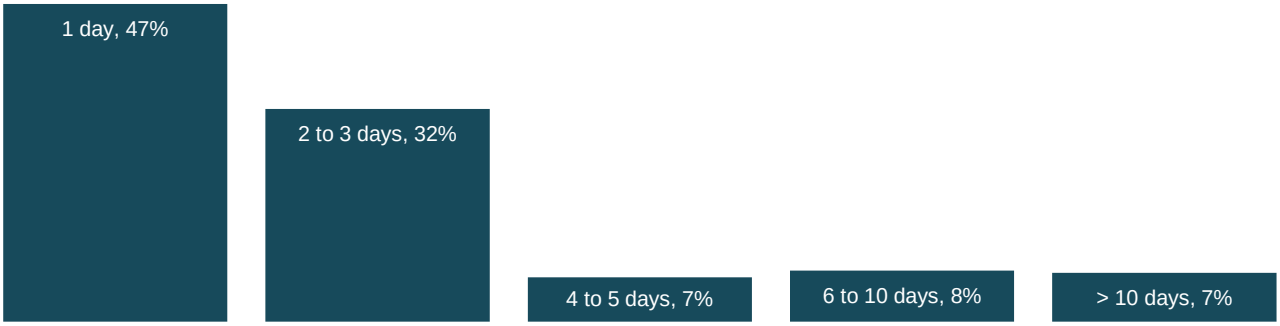


Market Cap



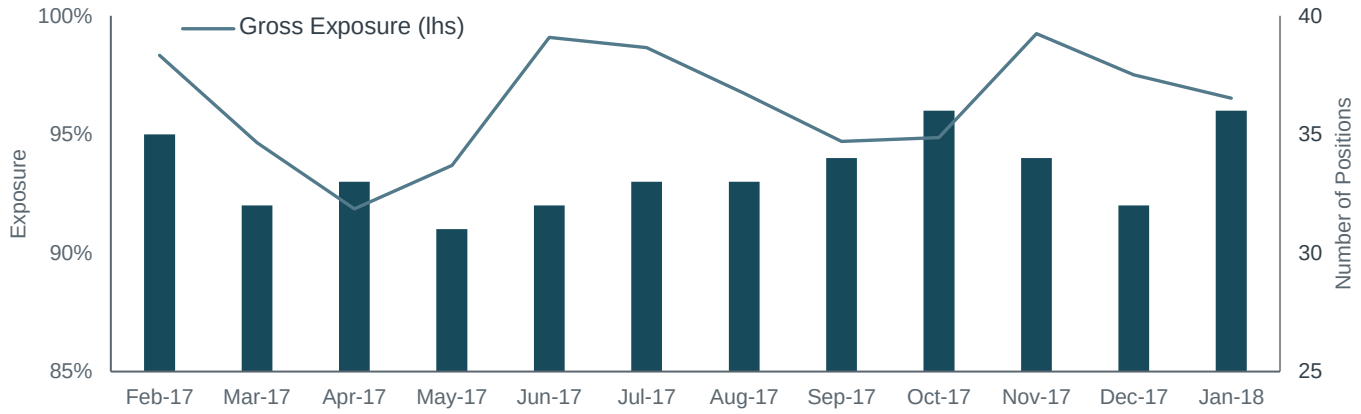
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

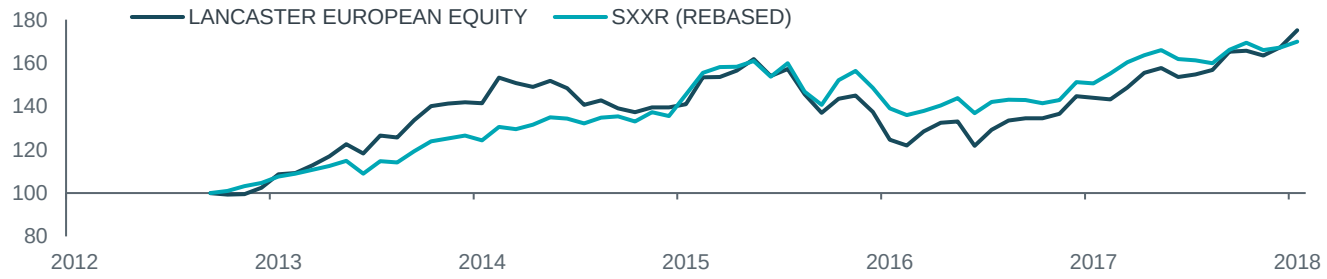
Gross method	1.8
Commitment method	1.0

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Year**	**Inception**
2012										-0.72%	0.14%	3.03%	**2.43%**	**2.43%**
2013	6.03%	0.54%	3.34%	3.68%	4.67%	-3.48%	7.09%	-0.69%	6.30%	4.89%	0.78%	0.45%	**38.51%**	**41.87%**
2014	-0.28%	8.28%	-1.60%	-1.15%	1.88%	-2.23%	-5.16%	1.45%	-2.64%	-1.23%	1.55%	0.00%	**-1.71%**	**39.44%**
2015	1.16%	8.76%	0.05%	1.92%	3.43%	-4.87%	2.18%	-7.46%	-5.86%	4.77%	1.02%	-5.18%	**-1.38%**	**37.51%**
2016	-9.41%	-2.14%	5.34%	3.09%	0.46%	-8.38%	6.07%	3.31%	0.70%	0.03%	1.57%	5.93%	**5.23%**	**44.70%**
2017	-0.48%	-0.60%	3.90%	4.56%	1.36%	-2.63%	0.82%	1.33%	5.42%	0.25%	-1.39%	2.35%	**15.55%**	**67.21%**
2018	4.72%												**4.72%**	**75.11%**

Performance quoted from Lancaster European Equity LP Sub Class 1

Fund Performance



Source: Lancaster Investment Management, Lancaster European Equity Sub Class 1 (US$), Bloomberg

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Lancaster European Equity Details

Launch date	October 2012	**Fund Structure**	Cayman Master Feeder: Cayman Ltd, Delaware LP
Redemptions	Monthly	**Administrator**	Morgan Stanley Fund Services
Notice Period	60 days	**Auditor**	KPMG
Minimum Investment	$5,000,000	**Prime Brokers**	Goldman Sachs, Morgan Stanley
Management Fee	0.75%	**Custodian**	State Street
Performance Fee	15%* (subject to HWM)	**Legal Advisors (UK)**	Schulte Roth & Zabel
Lockup Period	None	**Legal Advisors (US)**	Schulte Roth & Zabel
Subscriptions	Monthly	**Legal Advisors (Cayman)**	Maples & Calder
Gate	None	**Contact Details**	Richard Lamplough richard.lamplough@lancasterIM.co.uk +44 20 7842 1049

* Payable over multiple years – please see offering documents

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