

Lancaster European Equity

April 2018

Performance was pleasing in April against the backdrop of strong equity markets. Tesco was a standout performer as full year results confirmed that management's turnaround plan is on track. We faced an added twist on the last day of the month with the announcement that Sainsbury and Asda are to merge, bringing together the UK number 2 and 3 food retailers. We see this as good news for Tesco, the current number 1. If the deal is approved, 60% of the UK market will be in the hands of two evenly sized players. In an industry where so many participants have failed to earn their cost of capital for so long, while suppliers have consolidated and often make 20%+ EBIT margins, this could be very positive for market structure. Furthermore a reinvigorated Asda, very much a value player to Sainsbury's mid-to-premium offering, could disrupt the German discounters and derail their expansion plans. The last 18 months of Tesco's turnaround plan will now also unfold against the backdrop of two distracted competitors. One of our oil services investments also continued to perform well in April. A terrible performer in 2017, recent cost efficiencies and demand improvement would now seem to vindicate the equity raise that we backed in late 2016; it is a sector that merits particular caution, however, so we have marginally reduced the size of the position on strength.

Performance	Fund	Index*	Exposure	
Return on month	5.35%	4.49%	Cash	5.9%
12 month return	13.77%	2.31%	Beta	87.9%
3 year return [†]	4.19%	1.87%	Average market cap (\$ millions)	27,420
5 year return [†]	8.63%	8.27%	Number of positions	31
Inception return [†]	10.76%	9.63%		

Top 3 Positive Contributors

Energy
Tesco
SAP

Top 3 Negative Contributors

Cobham
Industrial
Materials

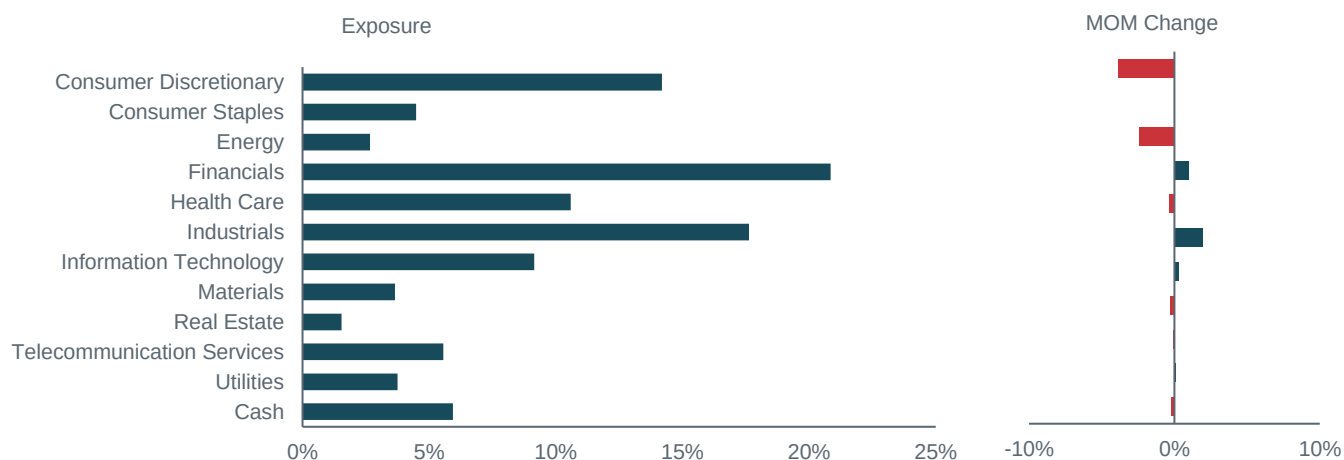
Top 5 Longs

Essilor International	7.1%
SAP	5.4%
Cobham	4.7%
Kingfisher	4.5%
Serco Group	4.5%
Total	26.3%

* Index is STOXX Europe 600 TR (SXXR), Performance quoted from Lancaster European Equity LP Sub Class 1
Source: Lancaster Investment Management, Bloomberg

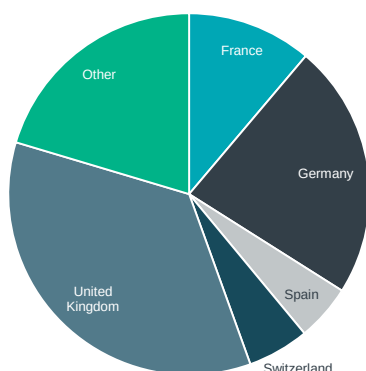
† Annualised return

Sector Exposure



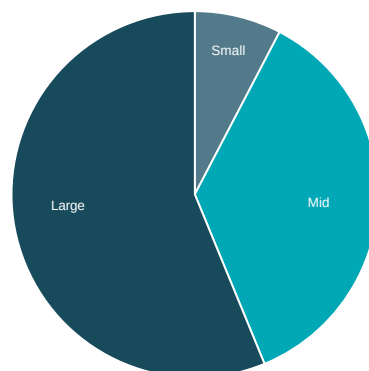
Source: Lancaster Investment Management

Country Exposure

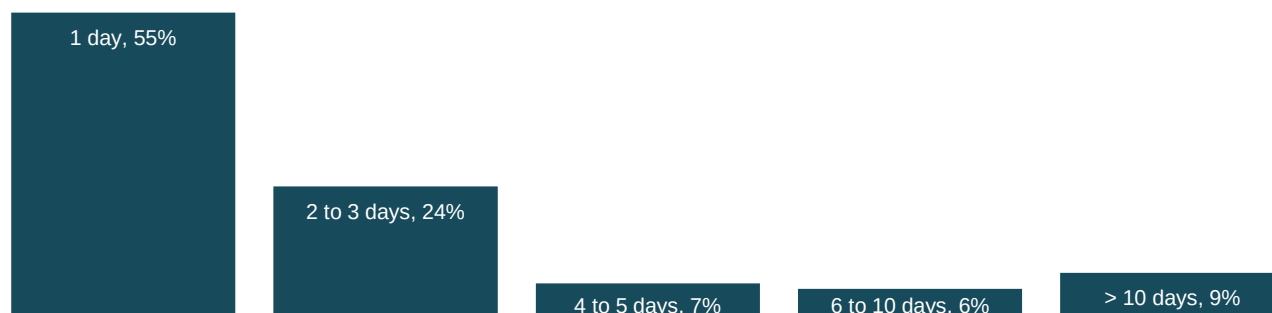


Source: Lancaster Investment Management

Market Cap

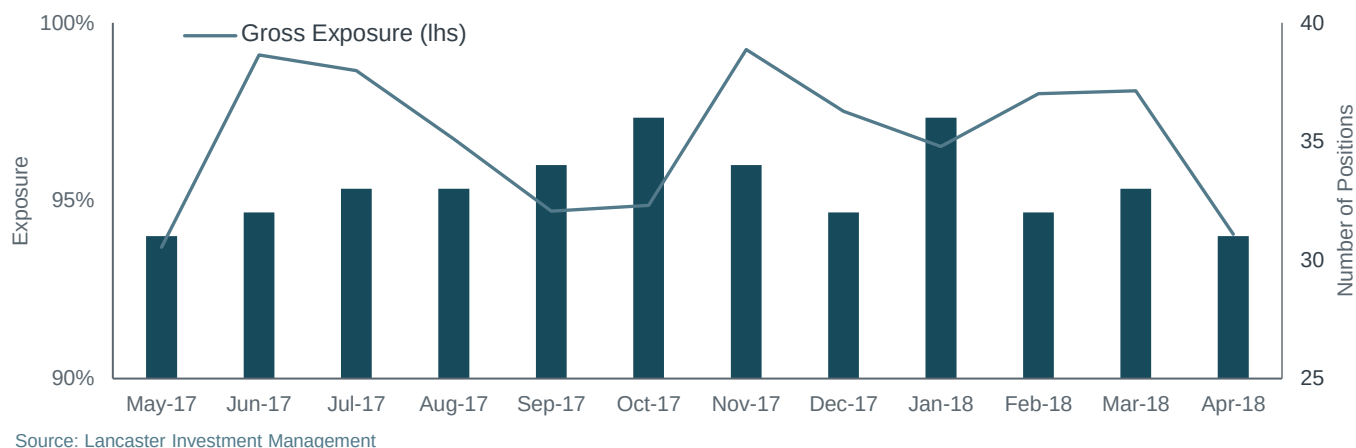


Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Leverage

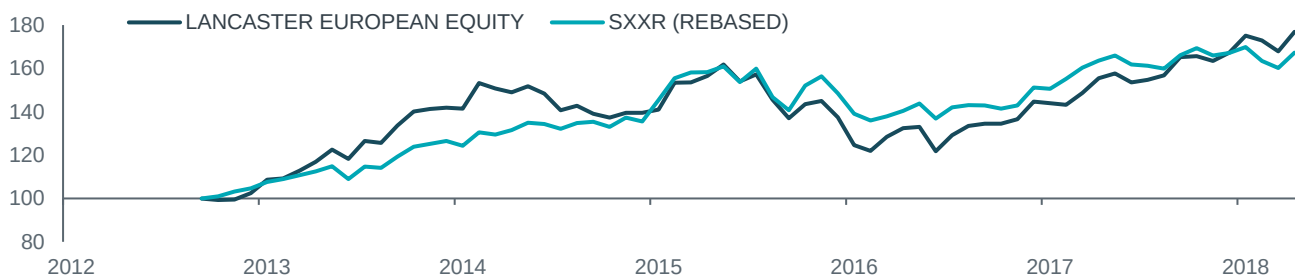
Gross method	1.7
Commitment method	0.9

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%	-1.24%	-2.91%	5.35%									5.78%	76.88%

Performance quoted from Lancaster European Equity LP Sub Class 1

Fund Performance



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

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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