LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

August 2018

August saw broad based weakness in risk assets as emerging market instability combined with increased uncertainty around the fiscal rectitude of the incoming Italian government to shake confidence. Losses in the portfolio were broadly distributed, and we took the opportunity to gradually add capital to a number of positions. Of note was Paddy Power Betfair, where results were perceived to be weak in the exchange business. After meeting the new CEO we have begun to rebuild the position; our holding was substantially reduced earlier in the year as US legislative changes drove excitement in the stock. We have also begun to scale our investment in underground mining operator Epiroc, a recent spin-out from Atlas Copco. The company enjoys high returns on capital and a strong balance sheet, operates in a duopoly, and is under-earning given a depressed cyclical environment.

Performance	Fund	Index*
Return on month	-2.96%	-2.14%
12 month return	14.91%	5.10%
3 year return†	7.37%	4.63%
5 year return†	7.46%	8.07%
Inception return†	10.46%	9.15%

Exposure	
Cash	3.4%
Beta	95.7%
Average market cap ($ millions)	26,415
Number of positions	36

Top 3 Positive Contributors
Consumer Discretionary
Financial
Financial

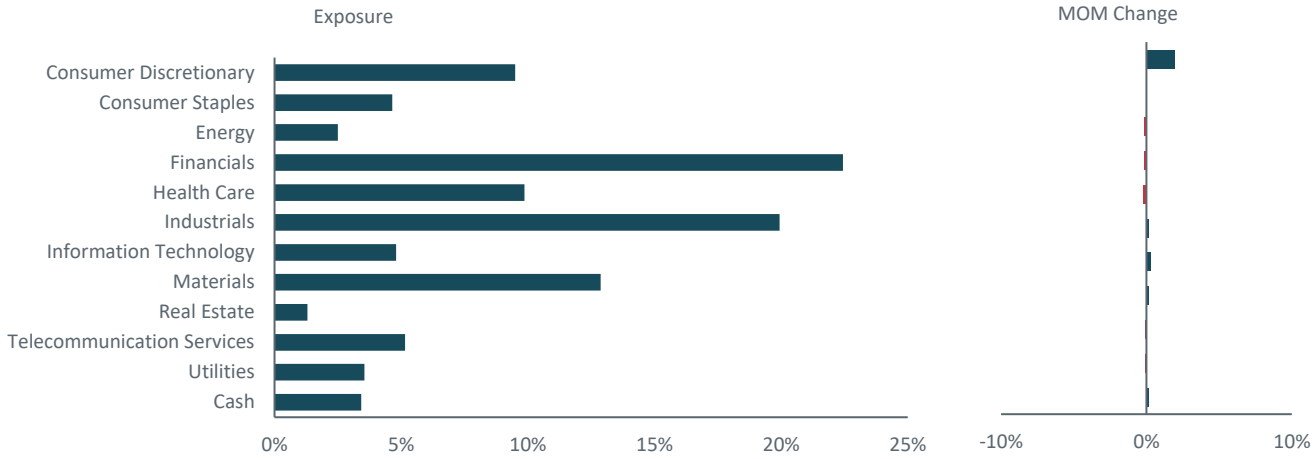
Top 3 Negative Contributors
Energy
Financial
Consumer Discretionary

Top 5 Longs	
Essilor International	6.6%
Cobham	4.9%
Tesco	4.7%
Serco Group	4.4%
Lanxess	4.1%
Total	**24.7%**

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

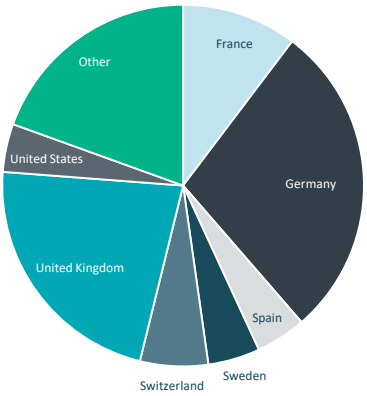
† Annualised return

Sector Exposure

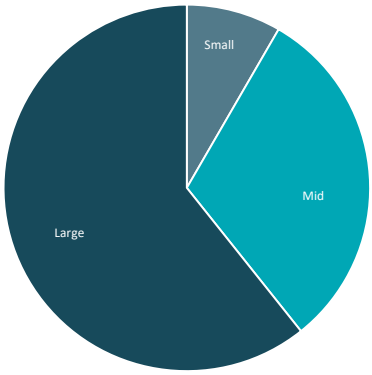


Source: Lancaster Investment Management

Country Exposure

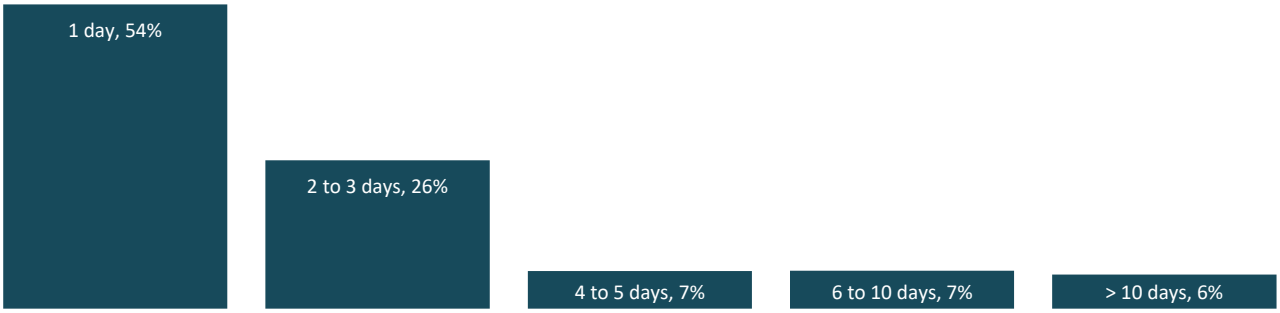


Market Cap



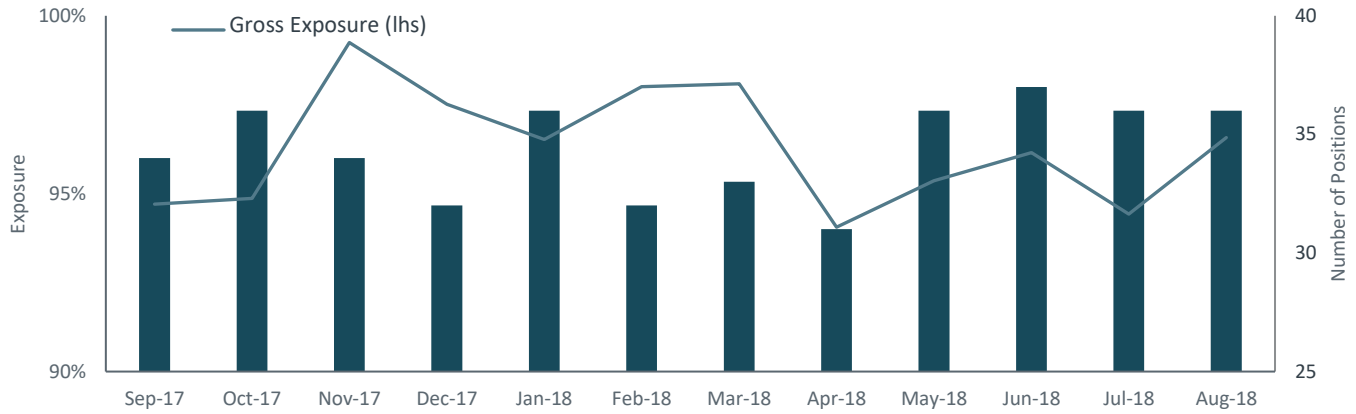
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

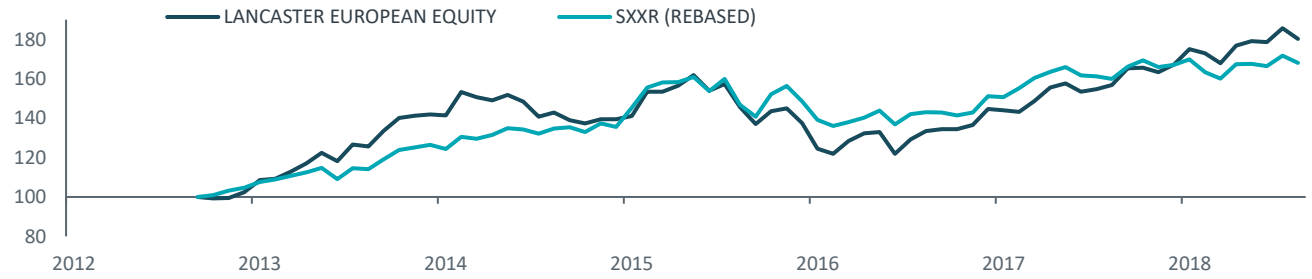
Gross method	1.9
Commitment method	1.0

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%	-1.24%	-2.91%	5.35%	1.25%	-0.23%	3.89%	-2.96%					**7.74%**	**80.15%**

Performance quoted net of fees 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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