LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

January 2019

The fund had a good start to the year returning 8.70% with a number of the key underperformers in December recovering strongly. Tesco released its best Christmas trading numbers in ten years helping it to bounce back from its recent sell-off. With the company entering the final year of management's four year turnaround plan, this was a small but welcome data point. Serco was a top performer after winning two large contracts in UK asylum support services and Australian health services. After a multi-year restructuring, the company is finally returning to growth. PGS shares performed poorly in the second half of 2018 but Q4 trading published in January painted a rosier picture of the underlying business's performance; the stock rebounded strongly. We added two new investments to the portfolio in January in consumer goods and healthcare; both are companies we know well, have previously owned, and where the sell-off in the fourth quarter presented an attractive entry point.

Performance	Fund	Index*
Return on month	8.70%	6.32%
12 month return	-7.78%	-6.67%
3 year return†	9.03%	4.46%
5 year return†	2.68%	4.98%
Inception return†	7.86%	7.52%

Exposure	
Cash	3.0%
Beta	96.6%
Average market cap ($ millions)	28,995
Number of positions	31

Top 3 Positive Contributors
Tesco
Serco Group
Energy

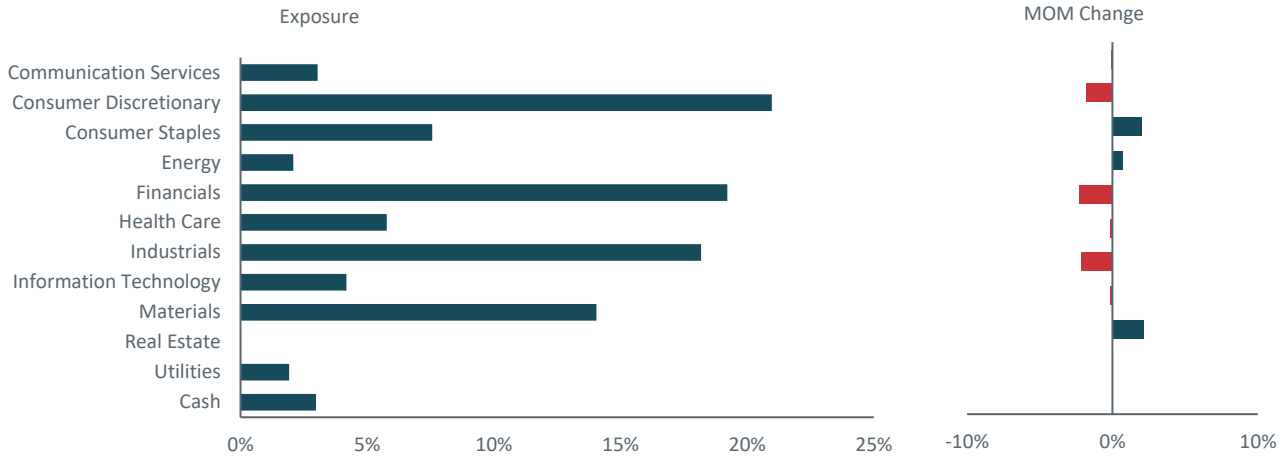
Top 3 Negative Contributors
Financial
Consumer Discretionary
Industrial

Top 5 Longs	
Tesco	6.2%
EssilorLuxottica	5.9%
Cobham	5.5%
Serco Group	5.3%
Linde	5.2%
Total	**28.1%**

* STOXX Europe 600 TR (SXXR). Performance quoted net of fees based on the most invested share class
Source: Lancaster Investment Management, Bloomberg

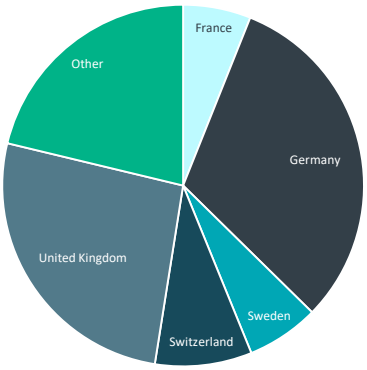
† Annualised return

Sector Exposure

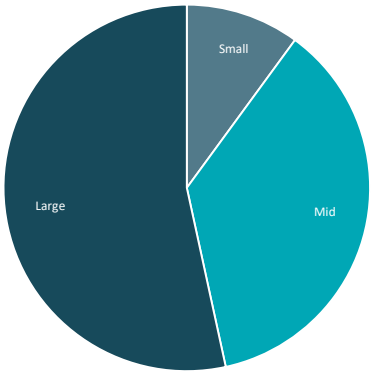


Source: Lancaster Investment Management

Country Exposure

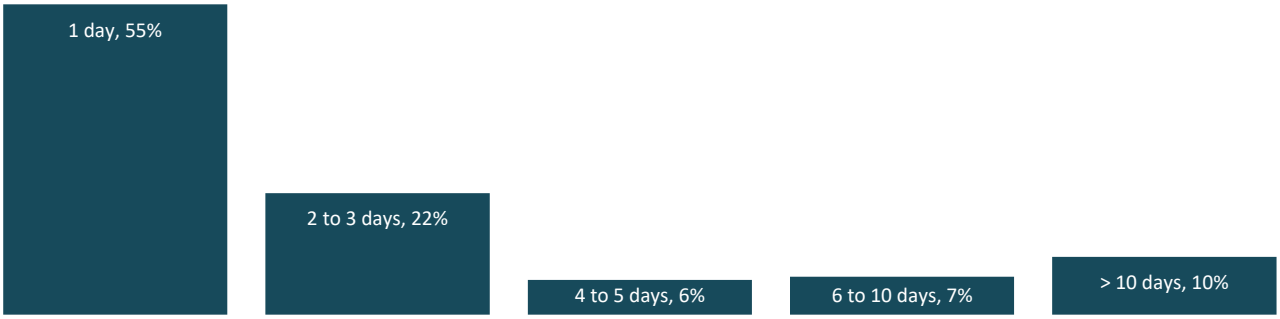


Market Cap



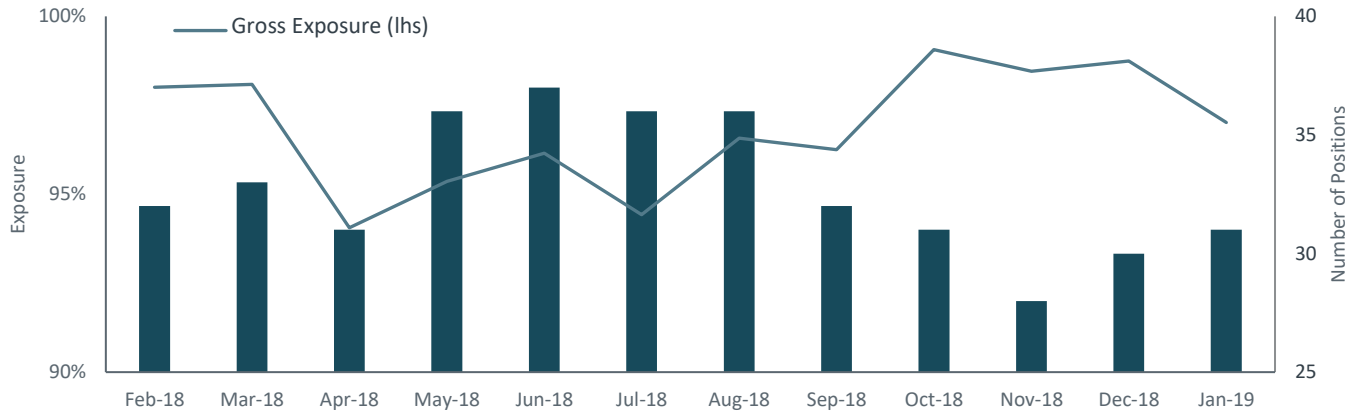
Source: Lancaster Investment Management

Liquidity



Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Leverage

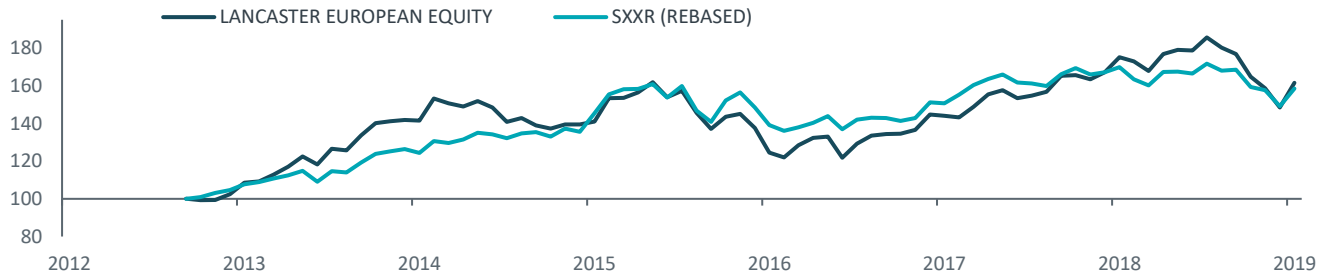
Gross method	2.0
Commitment method	1.0

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%	-1.87%	-6.75%	-3.76%	-6.38%	**-11.16%**	**48.55%**
2019	8.70%												**8.70%**	**61.48%**

Performance quoted net of fees based on the most invested share class. Other share classes with higher fees may exist.

Fund Performance



Source: Lancaster Investment Management, 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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