LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

March 2019

March was a disappointing month for the fund returning -2.13%, bringing the first quarter return to 11.04%. The major detractors to performance during the month were EssilorLuxottica and Bayer. In the case of the former, market concerns over the public debate between the controlling board – regarding the new CEO – drove the share price down. To us this open dialogue doesn't change the thesis: the company has a net cash balance sheet, operates as the number one in a structurally growing and non-cyclical industry, and trades at a very appealing outright valuation even before the synergy potential of the merger. We rescaled our investment into the weakness. The current travails of Bayer are well known; during March the ruling from the court in California caused further weakness in the share price. At today's valuation we are hard pushed not to find appeal in owning a business of such quality. During the month we closed out our position in Linde on valuation grounds.

Exposure	
Cash	7.2%
Beta	95.1%
Average market cap ($ millions)	23,005
Number of positions	32

Performance	Fund	Index*
Return on month	-2.13%	2.06%
1 year return	-1.75%	5.22%
3 year CAGR	8.70%	6.91%
5 year CAGR	1.82%	5.41%

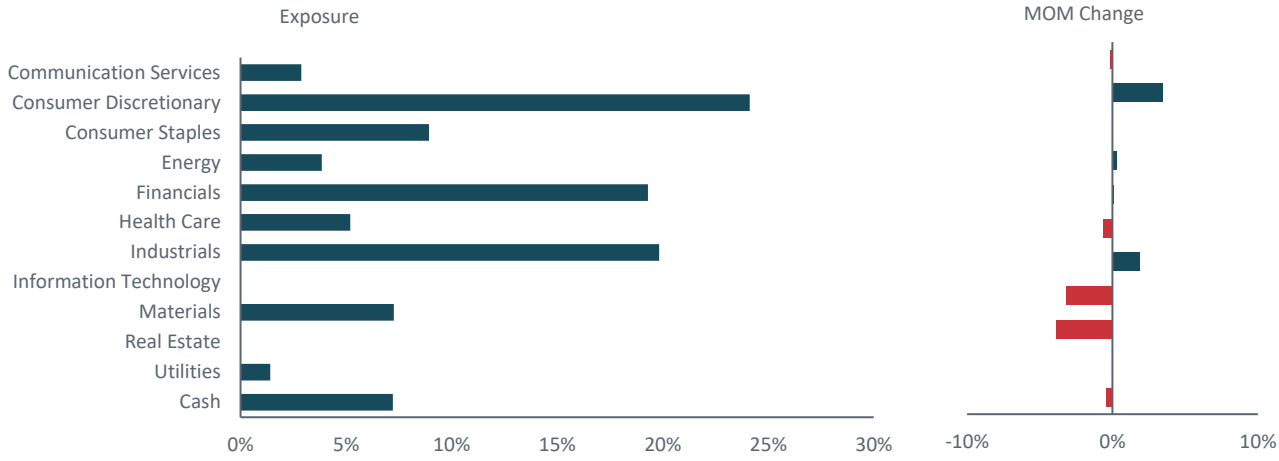
Leverage	
Gross method	1.8
Commitment method	0.9

Top 3 Positive Contributors	**Top 3 Negative Contributors**
Consumer Staple	Healthcare
Consumer Discretionary	EssilorLuxottica
Communication Service	Industrial

Top 5 Longs	
EssilorLuxottica	7.1%
Tesco	6.0%
Cobham	5.2%
Serco Group	5.2%
Paddy Power Betfair	4.4%
Total	**28.0%**

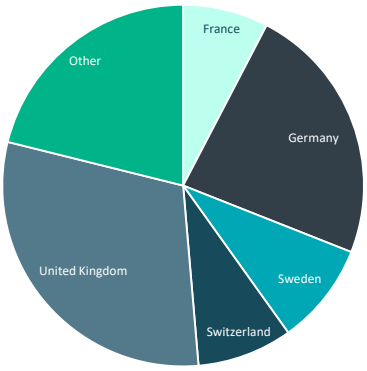
* STOXX Europe 600 TR (SXXR). Performance quoted net of fees based on most invested share class
Source: Lancaster Investment Management, Bloomberg

Sector Exposure

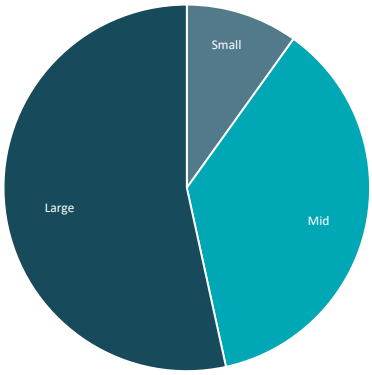


Source: Lancaster Investment Management

Country Exposure

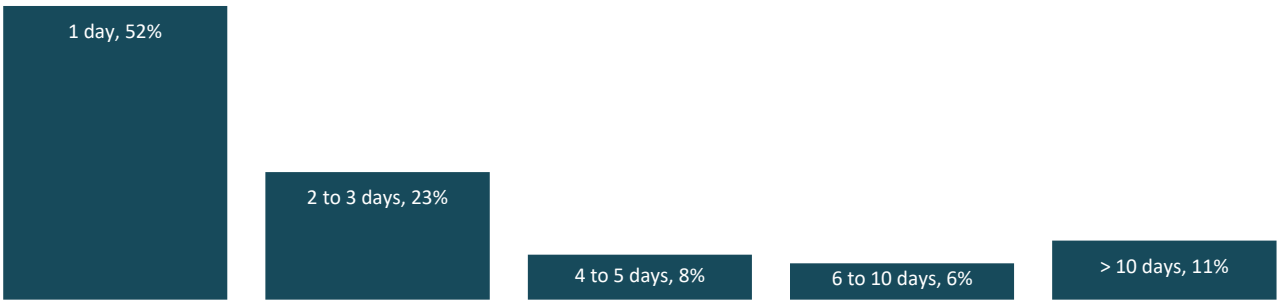


Market Cap



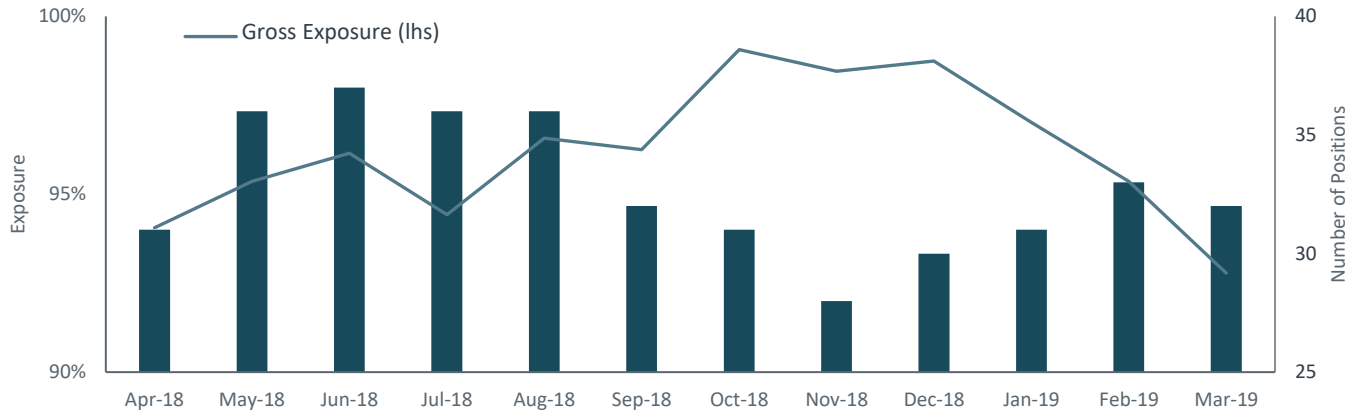
Source: Lancaster Investment Management

Liquidity



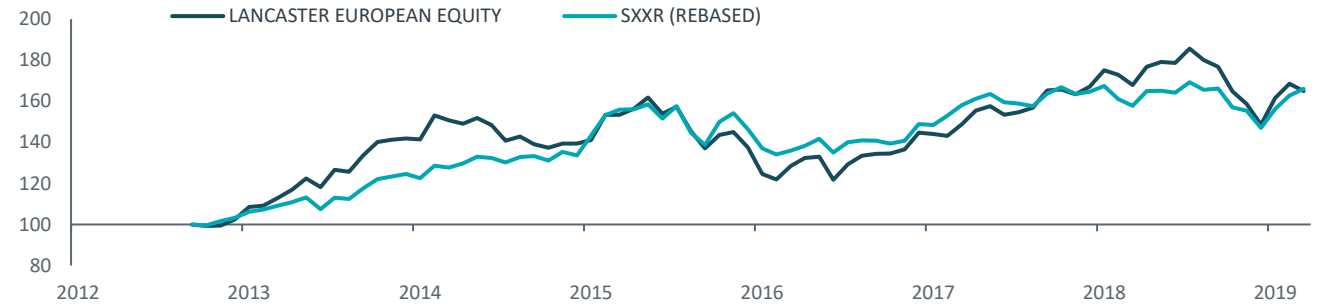
Source: Lancaster Investment Management, Bloomberg

Portfolio Composition



Source: Lancaster Investment Management

Fund Performance



Source: Lancaster Investment Management, Bloomberg

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Year**	**Inception**
2019	8.70%	4.38%	-2.13%										**11.04%**	**64.95%**
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%**
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%**
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%**
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%**
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%**
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%**
2012										-0.72%	0.14%	3.03%	**2.43%**	**2.43%**

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

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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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