LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

May 2019

May was a disappointing month with the fund returning -7.87%. In truth, there was little news at the single stock level but the market both sold off and rotated dramatically in favour of defensives over cyclicals. The two worst performers, ArcelorMittal and Autoliv were the best illustration of this. ArcelorMittal fell over 30% on broad Chinese growth concerns and US recession fears, while Autoliv found itself caught up in European autos worries and Mexican tariff threats given their manufacturing facilities south of the US border. Autoliv is the global market leader in airbags and seatbelts with over 50% market share leaving any tariffs mainly the OEMs' problem, while it continues to experience a 5%+ organic growth boost from the demise of Takata. In short, we believe the sell-off was an overreaction. We added to both positions, and several others, given the price moves witnessed and our cash position entering the month. The one clear positive during the month was Serco which announced an attractive acquisition in US naval services. The company part funded the acquisition with new equity which we participated in. The stock rallied both on the merits of the deal itself and what it signals for the maturity of the company's turnaround.

Exposure	
Cash	2.7%
Beta	102.1%
Average market cap ($ millions)	20,923
Number of positions	32

Performance	Fund	Index*
Return on month	-7.87%	-4.94%
1 year return	-10.29%	-0.80%
3 year CAGR	6.50%	4.94%
5 year CAGR	1.14%	4.25%

Leverage	
Gross method	1.8
Commitment method	0.9

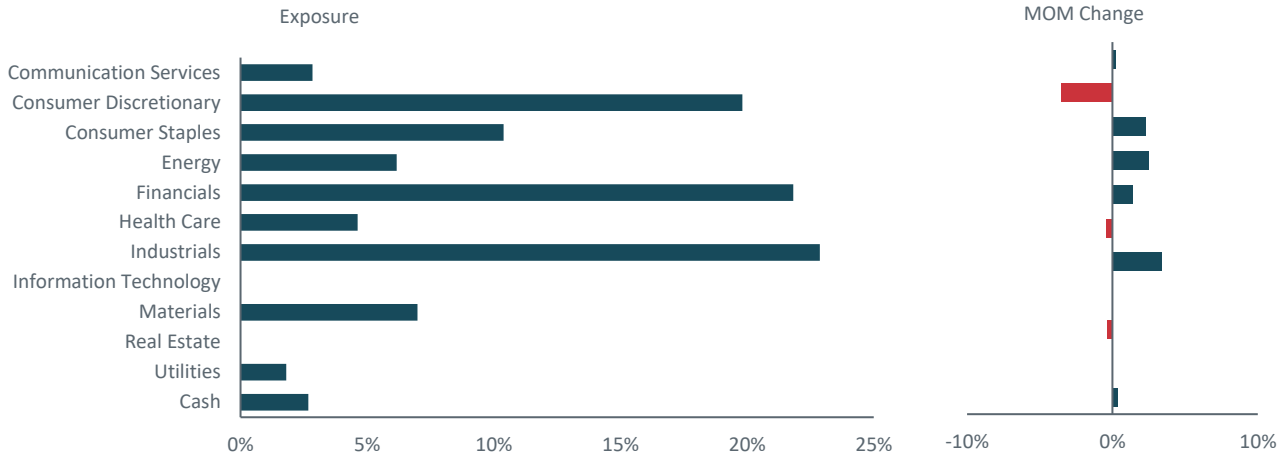
Top 3 Positive Contributors
Serco Group
Financial
Consumer Discretionary

Top 3 Negative Contributors
Materials
Consumer Discretionary
Cobham

Top 5 Longs	
Serco Group	7.0%
Tesco	5.7%
Cobham	5.2%
Bayer	4.6%
Lanxess	4.4%
Total	**26.9%**

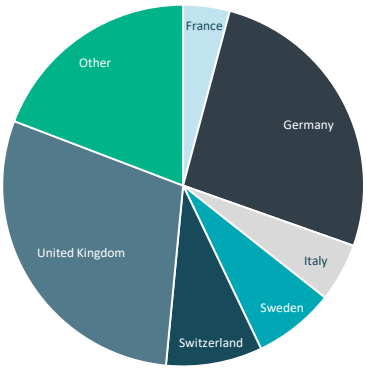
* STOXX Europe 600 TR (SXXR). Performance quoted net of fees based on most invested share class
Source: Lancaster Investment Management, Bloomberg

Sector Exposure

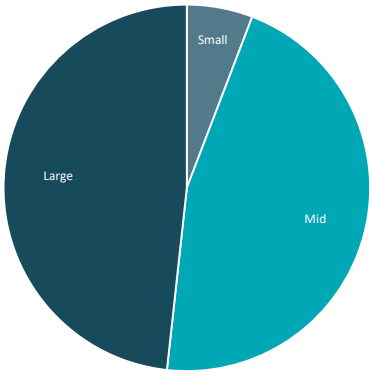


Source: Lancaster Investment Management

Country Exposure

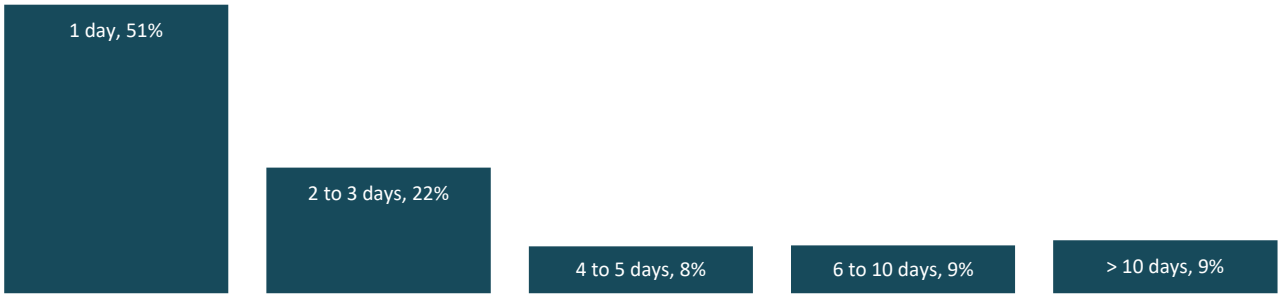


Market Cap



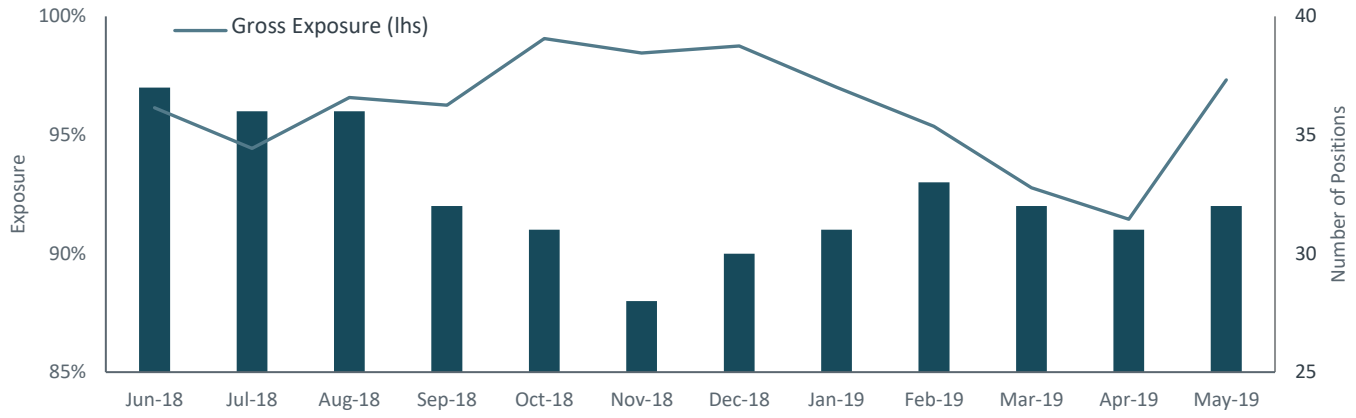
Source: Lancaster Investment Management

Liquidity



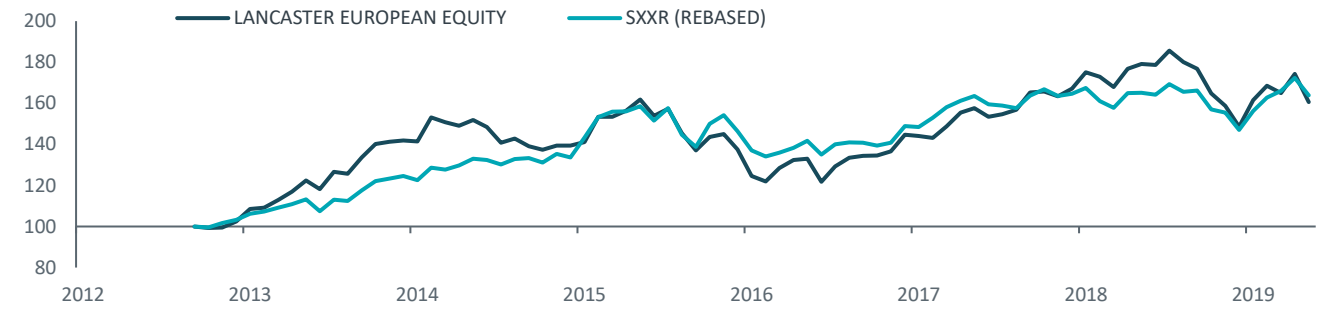
Source: Lancaster Investment Management, Bloomberg

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%	5.72%	-7.87%								**8.15%**	**60.66%**
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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