

Lancaster European Equity

September 2020

The fund returned -2.99% in September to round off a return of 3.61% for the third quarter. The portfolio for the most part performed fine during the month with the one major exception being IAG. The timing of the company's €2.75bn equity raise coincided with a rise in COVID cases in the UK and Europe – a flow of new shares met a worried equity market. We took up our equity allocation in IAG and sold our holding in Ryanair well above the lows where we bought it. We remain of the view that IAG will weather this storm and return to flying with a materially lower cost base and a far less competitive market. We believe COVID testing at UK airports will arrive soon and allow the company to get to cashflow breakeven at which point people will re-evaluate the company's value. We were very active at the name level during the month, exiting three holdings. Six new investments were initiated. Perhaps the most striking is our new position in the Spanish clothing manufacturer Inditex. Inditex entered the COVID pandemic with a well-invested supply chain, store base and online offering which has enabled the company to expand its share while high street retail competitors have exited the market. The company's increasing mix towards capital light online sales as well as more favourable terms with landlords is creating an inflection in return on capital. The business is well positioned with a strong management team and clean balance sheet, and the shares trade at a compelling valuation on estimates which do not reflect the full cyclical recovery potential.

Exposure		Performance	Fund	STOXX*	MSCI*
Cash	1.2%	Return on month	-2.99%	-1.41%	-0.94%
Average market cap (\$ millions)	17,386	Return YTD	-16.44%	-11.56%	-11.31%
Number of positions	32	1 year return	-4.52%	-6.15%	-7.33%
		3 year CAGR	1.79%	0.22%	-0.20%
		5 year CAGR	4.93%	3.51%	4.59%

Leverage	
Gross method	1.8
Commitment method	0.9

Top 3 Positive Contributors

Industrial
Industrial
Industrial

Top 3 Negative Contributors

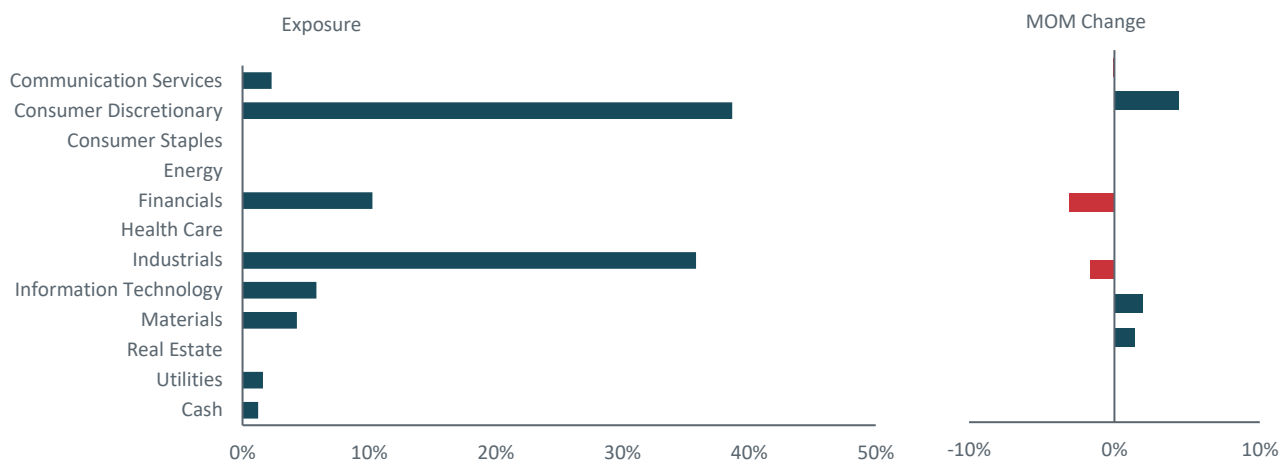
Industrial
Financial
Industrial

Top 5 Longs

Autoliv	5.2%
EssilorLuxottica	4.8%
Weir Group	4.6%
Continental	4.6%
Next	4.4%
Total	23.5%

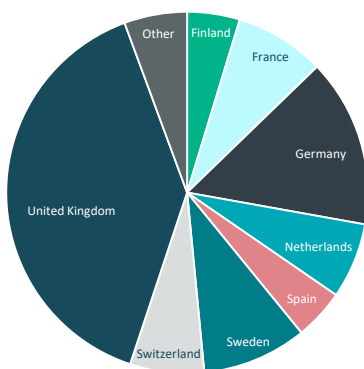
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15). Fund performance quoted net of fees based on most invested share class.
Source: Lancaster Investment Management, Bloomberg

Sector Exposure



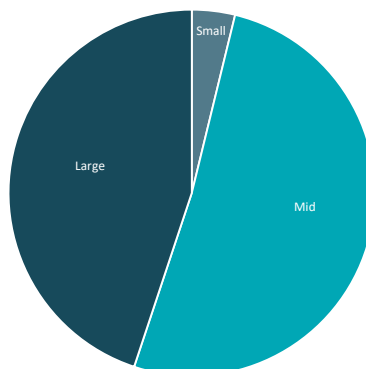
Source: Lancaster Investment Management

Country Exposure

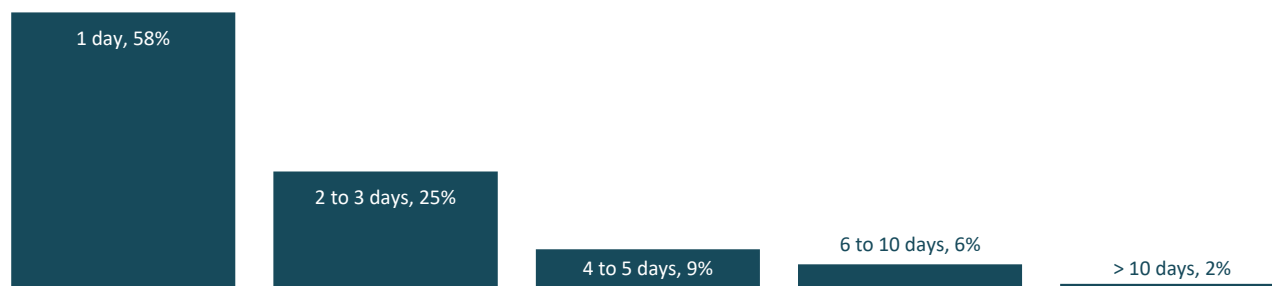


Source: Lancaster Investment Management

Market Cap

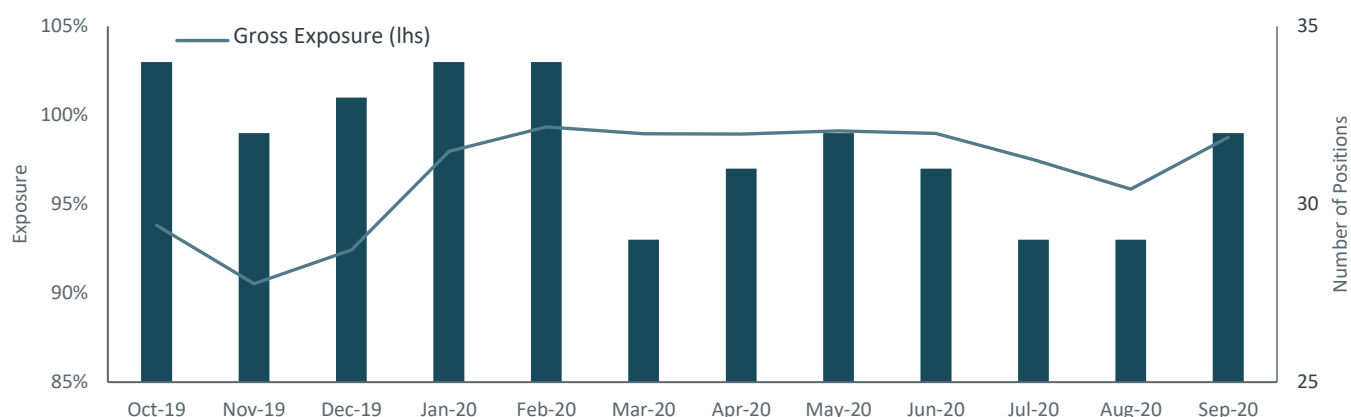


Liquidity



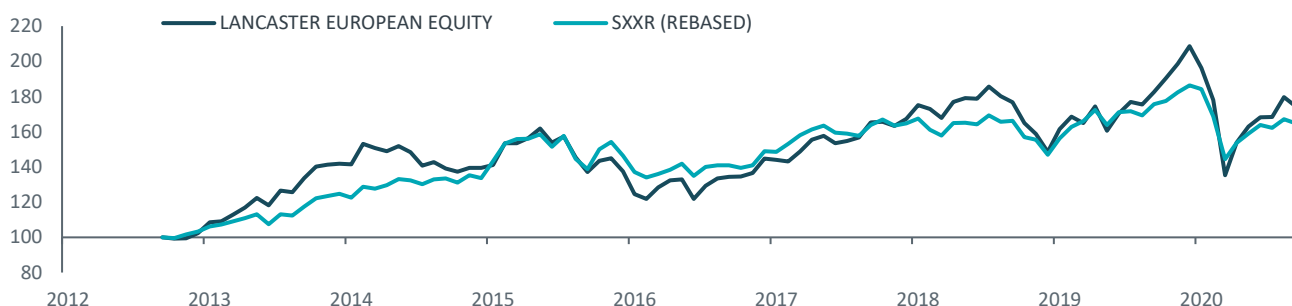
Source: Lancaster Investment Management, Bloomberg

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
2020	-5.98%	-9.26%	-23.96%	13.72%	5.80%	3.32%	0.05%	6.74%	-2.99%				-16.44%	74.33%
2019	8.70%	4.38%	-2.13%	5.72%	-7.87%	6.03%	3.83%	-0.80%	4.06%	4.23%	4.39%	5.02%	40.45%	108.63%
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.

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%	Legal Advisors (UK)	Schulte Roth & Zabel
Performance Fee	15% * (subject to HWM)	Legal Advisors (US)	Schulte Roth & Zabel
Lockup Period	None	Legal Advisors (Cayman)	Maples & Calder
Subscriptions	Monthly	Contact Details	Richard Lamplough richard.lamplough@lancasterIM.co.uk +44 20 7842 1049
Gate	None		

* Payable over multiple years – please see offering documents

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