LANCASTER
INVESTMENT MANAGEMENT

Lancaster European Equity

July 2022

The fund returned 8.69% in July versus the SXXR at 7.74%. The portfolio recovered strongly in July after a difficult end to the first half. The same investor debates that caused June's market sell-off – inflation, interest rates and recession risk – swung markets back up in July. It seems reasonable to expect such gyrations to continue. Our response has been to trade some of our more volatile positions actively, and on occasion to sacrifice lower conviction positions for higher conviction names that have seen large drawdowns; the portfolio has a surfeit of ideas, and competition for capital is high. We sold our UK housebuilder during the month and used the proceeds to grow three core positions. In total we exited three positions during the month in this effort to high grade the portfolio. We also initiated three new positions including the Norwegian aluminium supplier, Norsk Hydro. The share price has been weak against the backdrop of a broad selloff in commodity prices. Aluminium has compelling long term demand drivers and a structurally changing supply side with rising power prices in Europe. Norsk Hydro has long term access to low-cost and clean energy enabling production with the lowest carbon intensity at the bottom of the cost curve. The shares are trading on a double digit free cash flow yield with a net cash balance sheet.

Exposure	
Cash	1.1%
Average market cap ($ millions)	14,492
Number of positions	34

Performance	Fund	STOXX*	MSCI*
Return on month	8.69%	7.74%	6.12%
YTD return	-5.14%	-8.39%	-8.28%
1 year return	-0.41%	-2.63%	-3.21%
3 year CAGR	14.33%	6.78%	5.21%
5 year CAGR	11.31%	5.64%	4.85%

Leverage	
Gross method	1.8
Commitment method	1.0

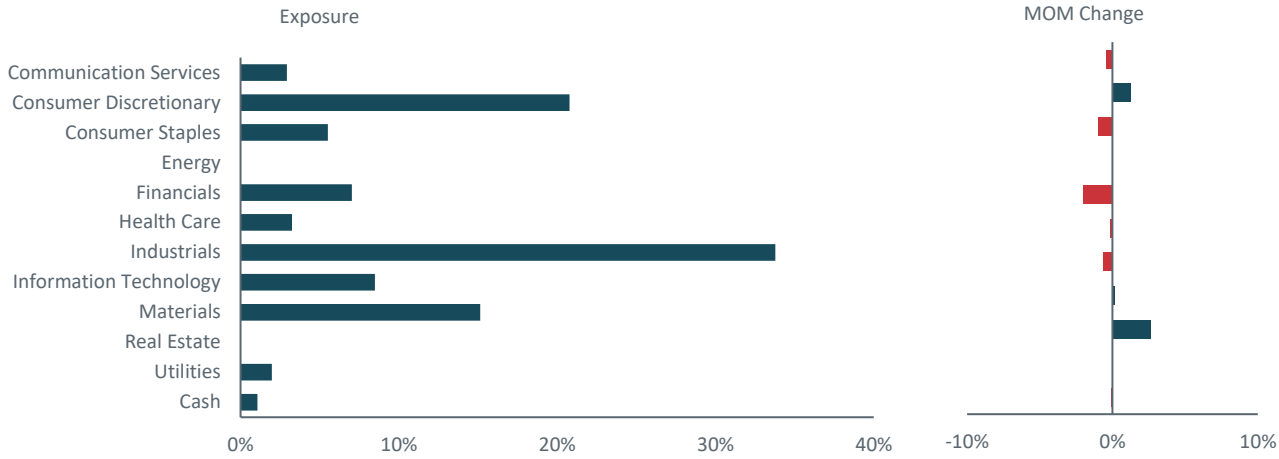
Top 3 Positive Contributors
Next
Autoliv
Trelleborg

Top 3 Negative Contributors
BT
ams-OSRAM
BAE Systems

Top 5 Longs	
Next	5.8%
Danone	4.5%
Autoliv	4.4%
Greggs	4.2%
Sage	4.1%
Total	**23.0%**

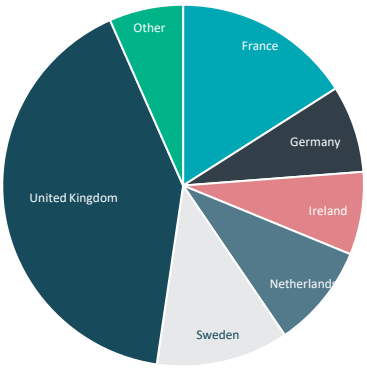
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15). Fund performance quoted net of fees based on most invested share class.
Source: Lancaster Investment Management, Bloomberg

Sector Exposure

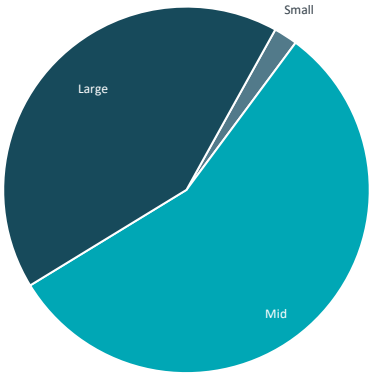


Source: Lancaster Investment Management

Country Exposure

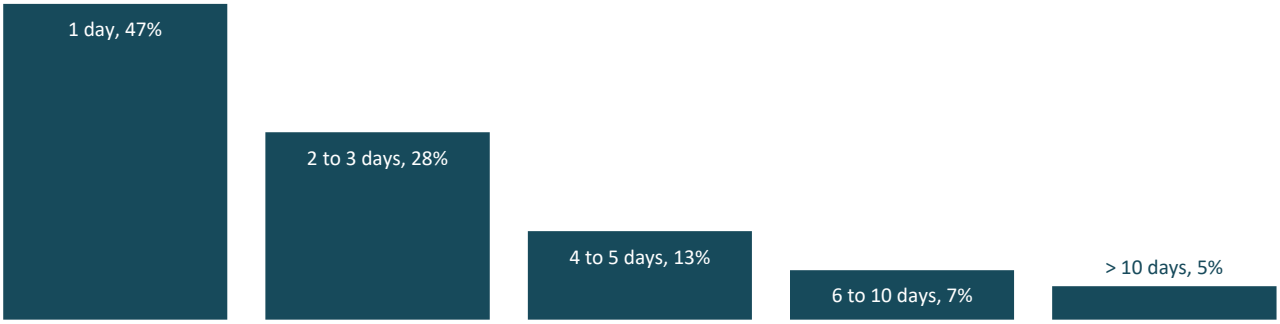


Market Cap



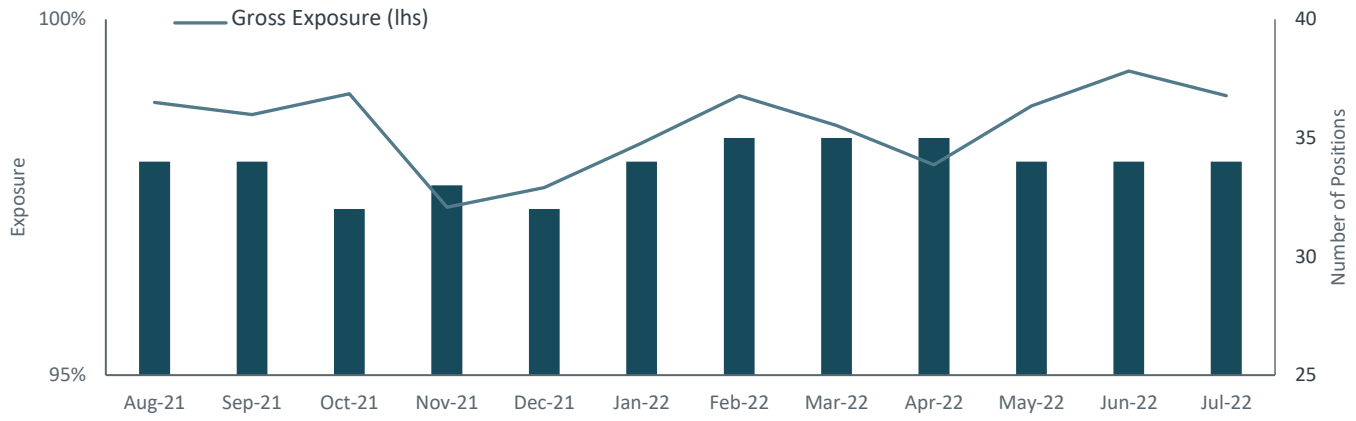
Source: Lancaster Investment Management

Liquidity



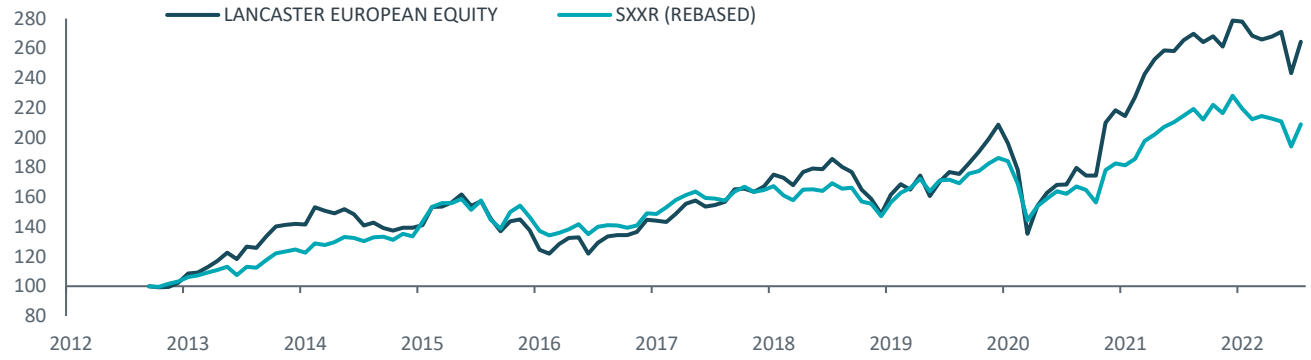
Source: Lancaster Investment Management, Bloomberg

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	YTD	Inception
2022	-0.25%	-3.40%	-0.99%	0.71%	1.25%	-10.28%	8.69%						**-5.14%**	**164.35%**

	YTD	2021	2020	2019	2018	2017
Lancaster European Equity	-5.14%	27.65%	4.63%	40.45%	-11.16%	15.55%
STOXX Europe 600 Net Return (SXXR)	-8.39%	24.91%	-1.99%	26.82%	-10.77%	10.58%
MSCI Europe Net Return (NDDLE15)	-8.28%	22.61%	-2.21%	23.75%	-10.59%	13.06%

Performance quoted net of fees based on the most invested share class. Other share classes with higher fees may exist. Full monthly performance available on request.

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Lancaster European Equity Details

Launch date	October 2012			
	Class A	**Class C**	**Fund Structure**	Cayman Master Feeder: Cayman Ltd, Delaware LP
Redemptions	Monthly	Monthly		
Notice Period	60 days	60 days	**Administrator**	Morgan Stanley Fund Services
Minimum Investment	$5,000,000	$5,000,000	**Auditor**	KPMG
Management Fee	1.00%	0.75%	**Prime Brokers**	Goldman Sachs, Morgan Stanley
Performance Fee	None	10.0%*	**Legal Advisors (UK)**	Schulte Roth & Zabel
Lockup Period	None	None	**Legal Advisors (US)**	Schulte Roth & Zabel
Subscriptions	Monthly	Monthly	**Legal Advisors (Cayman)**	Maples & Calder
Gate	None	None	**Contact Details**	Rory Hayward rory.hayward@lancasterIM.co.uk +44 20 7842 1050

* Subject to index hurdle and payable over multiple years – please see offering documents

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