

Lancaster European Equity

December 2022

The fund's net return was -2.06% in December versus the SXXR at -3.38%. Equity markets had a weak end to the year with the tug-of-war between inflation fears and hopes for a rate pivot continuing. Our two best performing investments on the month were Bank of Ireland and Zalando. Bank of Ireland was one of our best positions of 2022. As one of only two Irish banks left of any scale, the bank is benefitting from a recovering economy and improving rate environment, underpinned by a strong and conservatively marked balance sheet. We bought a small position in Zalando at the peak of the European energy crisis in September. 2022 will be a year to forget for the company. Zalando fell into the trap that caught out pretty much every European retailer: orders were placed in higher volumes than usual when supply chain problems still meant long waiting times, only for rising inflation to then hurt consumer spending, all exacerbated by a war in Europe. Heavy discounting will decimate 2022 margins. The company has the balance sheet to weather this storm, however, and continues to take market share while its competitors, in some cases, look like going to the wall. While we are sceptical of management's ambitions to reach a double digit margin, the valuation at the time implied a terminal margin a fraction of this ambition. Autoliv was the biggest loser on the month as the year ended with a return of concerns about auto production numbers. Despite a three year recession, the street fears that the auto industry will have a rocky 2023. We believe Autoliv has significant hidden margin potential and the balance sheet to ride out a difficult market. We exited two names during the month: Trelleborg, a position we bought in 2019, and Brenntag, a small position which we bought as recently as November. Having held a capital markets day only a few weeks earlier, where a strategy for organic growth – with bolt-on M&A – was laid out in great detail, Brenntag announced talks to acquire Univar, a huge, commodity-focused, low growth competitor. We chose to exit the position.

Performance (net)

	Fund	STOXX*	MSCI*
Return on month	-2.06%	-3.38%	-2.72%
Return on year	-3.09%	-10.64%	-8.54%
3 year return	29.44%	9.39%	9.66%
5 year return	61.50%	23.79%	21.34%
10 year return	163.64%	97.63%	96.33%

Trailing CAGR (net)

	Fund	STOXX*	MSCI*
3 year	8.98%	3.04%	3.12%
5 year	10.06%	4.36%	3.94%
10 year	10.18%	7.05%	6.98%

Exposure

Cash	2.1%
Average market cap (\$ millions)	15,404
Number of positions	34

Leverage

Gross method	1.9
Commitment method	1.0

Top 3 Positive Contributors

Bank Of Ireland
Zalando
Adidas

Top 3 Negative Contributors

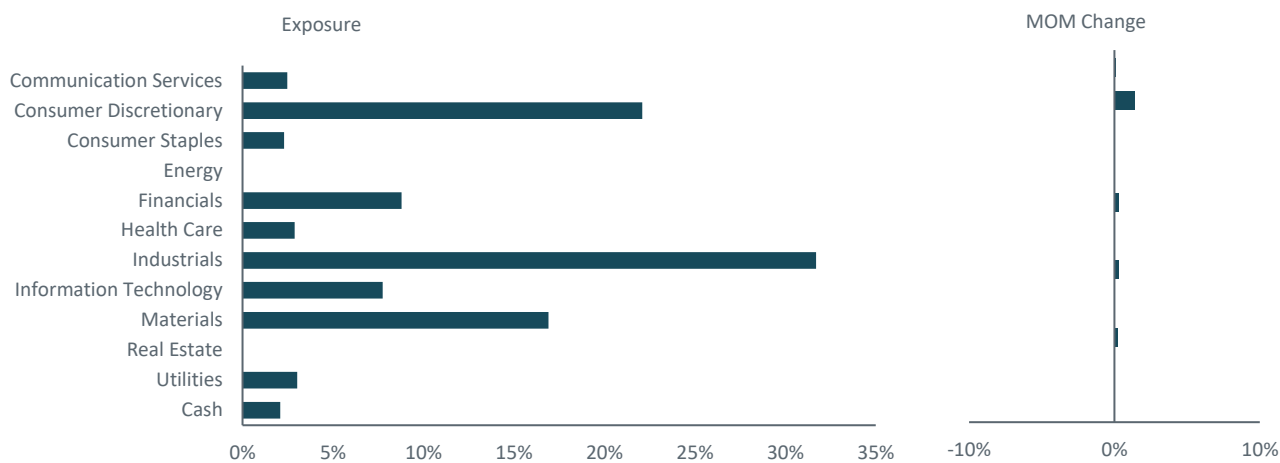
Autoliv
Husqvarna
Sage

Top 5 Longs

Next	6.2%
Autoliv	4.2%
Signify	4.0%
Airbus	4.0%
Michelin	3.8%
Total	22.1%

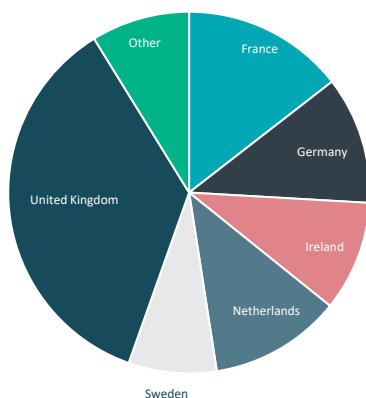
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15). Fund performance quoted net of fees based on most invested share class.

Sector Exposure



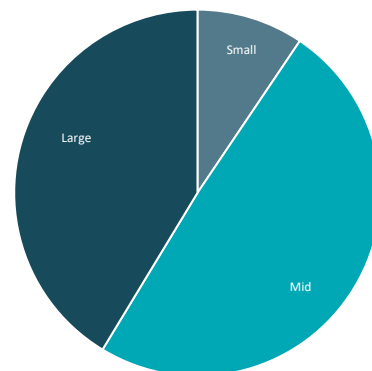
Source: Lancaster Investment Management

Country Exposure

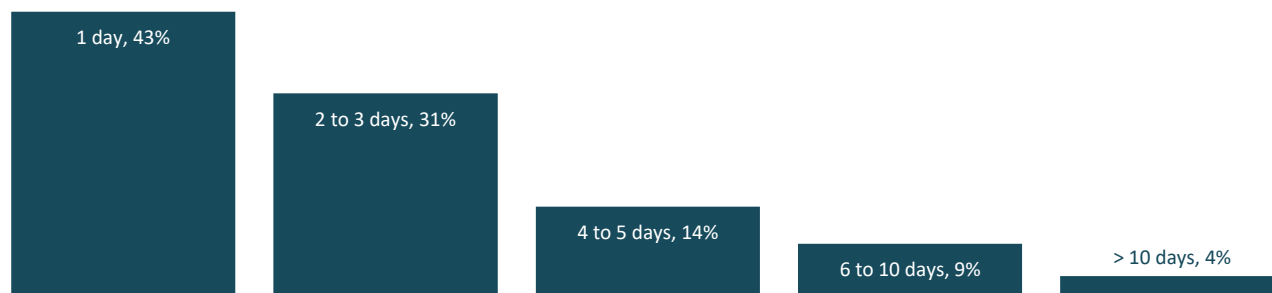


Source: Lancaster Investment Management

Market Cap



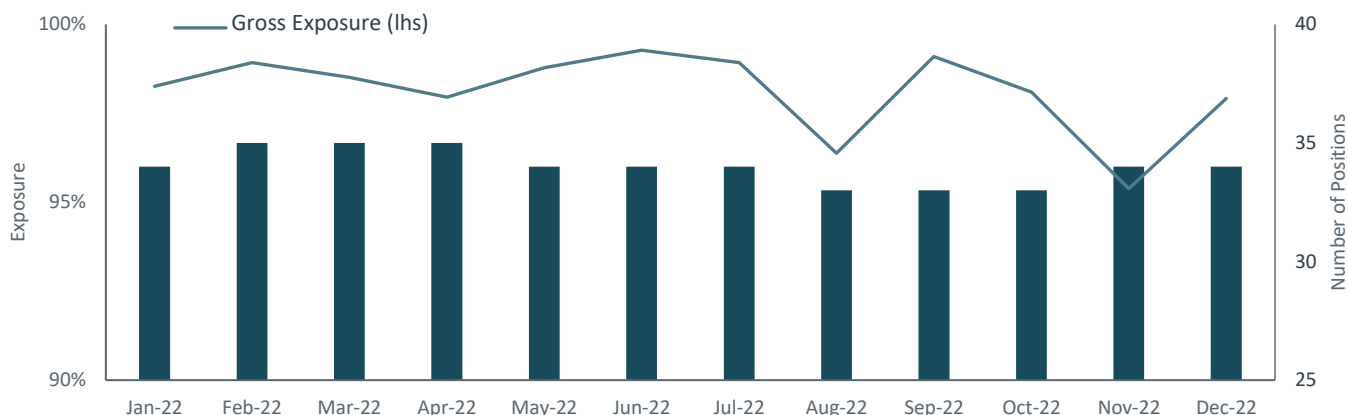
Liquidity



Source: Lancaster Investment Management, Bloomberg

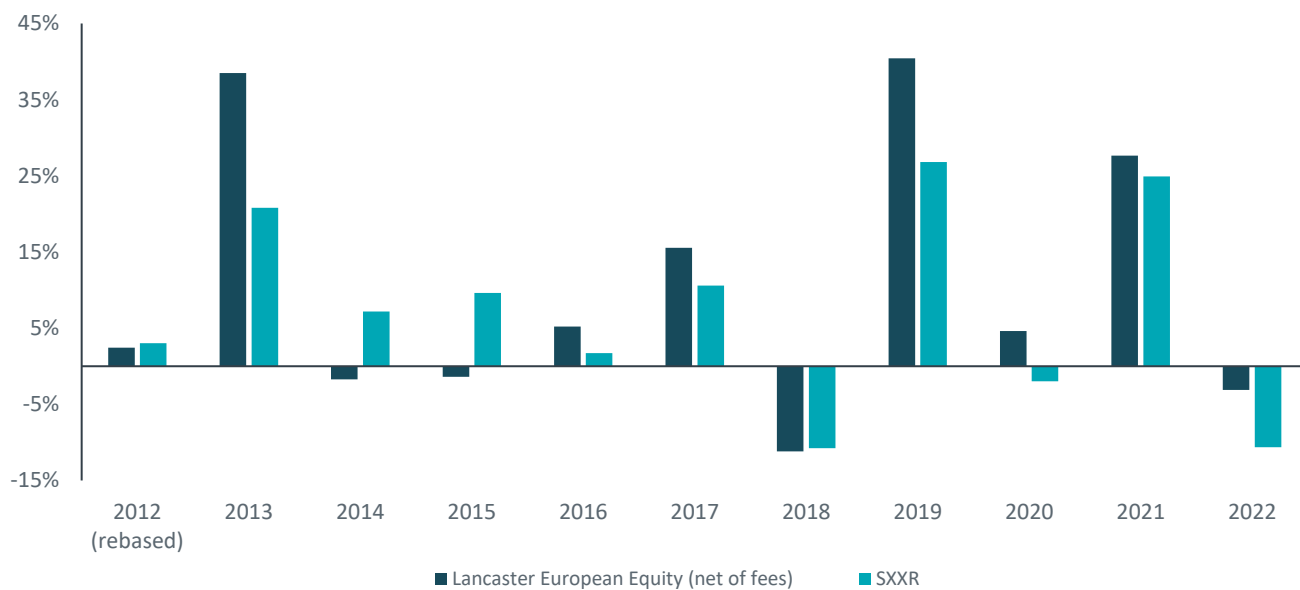
Charts for illustrative purposes only

Portfolio Composition



Source: Lancaster Investment Management

Fund Performance (net)



Source: Lancaster Investment Management, Bloomberg

Historical Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022	Inception
2022	-0.25%	-3.40%	-0.99%	0.71%	1.25%	-10.28%	8.69%	-5.69%	-8.13%	9.95%	9.49%	-2.06%	-3.09%	170.04%

	YTD	2021	2020	2019	2018	2017
Lancaster European Equity	-3.09%	27.65%	4.63%	40.45%	-11.16%	15.55%

STOXX Europe 600 Net Return (SXXR)	-10.64%	24.91%	-1.99%	26.82%	-10.77%	10.58%
MSCI Europe Net Return (NDDLE15)	-8.54%	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.
All data sourced from Lancaster Investment Management and Bloomberg.

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	Ernst & Young
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)	Walkers
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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