LANCASTER
INVESTMENT MANAGEMENT

# Lancaster European Equity

June 2023

The fund's net return was 4.22% in June versus the SXXR at 2.41%. The portfolio ended the first half of the year strongly against the backdrop of a positive market. After a challenging 2022, our Husqvarna investment continued its good performance this year. A number of sell side upgrades drove the stock higher in June. As a manufacturer of lawnmowers and watering systems, the company benefitted from COVID-related demand pull-forward and the street has unsurprisingly struggled to forecast financials since. We believe that, after a decade-long restructuring and reinvestment program, the company now generates substantially higher underlying margins and has much more attractive growth prospects. These should become more evident as end markets normalise. Next had a good month after the company surprised the market with a material positive profit warning. Profit guidance being upgraded so early in the financial year (FY Jan 24) points to significant management confidence: management have a multi-decade reputation for conservatism. Full price clothing sales have been much stronger than expected. The main detractor in the month was BT Group. The market continues to wrestle with the potential long term upside from a huge capex investment in fibre versus a business with short term issues: weak enterprise division, broadband line losses, and concerns about the consumer. We believe the risk/reward skew is highly attractive but the undeniable risks are reflected in the position's sizing at under 3%.

**Performance (net)**

| | Fund | STOXX* | MSCI* |
|---|---|---|---|
| Return on month | 4.22% | 2.41% | 2.43% |
| YTD return | 14.76% | 10.85% | 10.54% |
| 1 year return | 27.41% | 16.49% | 16.97% |
| 3 year return | 84.17% | 37.99% | 37.06% |
| 5 year return | 73.43% | 37.71% | 34.73% |
| 10 year return | 162.19% | 110.48% | 104.53% |

**Trailing CAGR (net)**

| | Fund | STOXX* | MSCI* |
|---|---|---|---|
| 3 year | 22.58% | 11.33% | 11.08% |
| 5 year | 11.64% | 6.61% | 6.14% |
| 10 year | 10.12% | 7.73% | 7.42% |

**Exposure**

| | |
|---|---|
| Cash | 4.3% |
| Average market cap ($ millions) | 15,112 |
| Number of positions | 33 |

**Leverage**

| | |
|---|---|
| Gross method | 1.9 |
| Commitment method | 1.0 |

**Top 3 Positive Contributors**

Husqvarna
Next
Adidas

**Top 3 Negative Contributors**

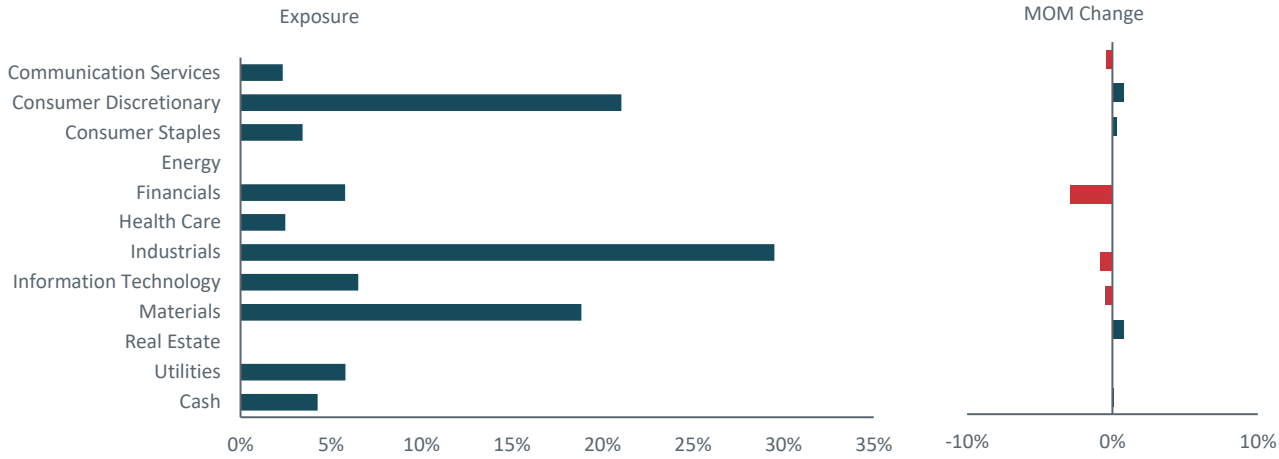
BT Group
Novozymes
Babcock

**Top 5 Longs**

| | |
|---|---|
| Next | 5.9% |
| Novozymes | 5.2% |
| Signify | 4.1% |
| Husqvarna | 4.1% |
| Michelin | 4.0% |
| **Total** | **23.3%** |

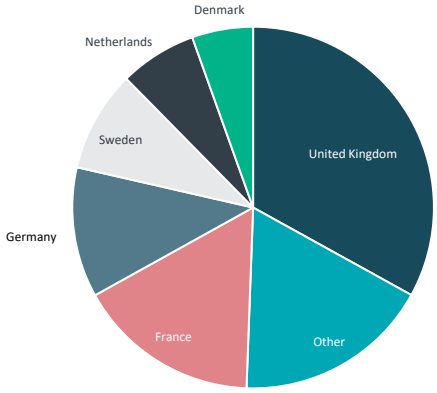
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15). Fund performance quoted net of fees based on most invested share class.

## Sector Exposure

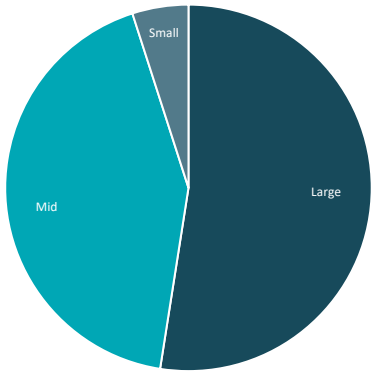



Source: Lancaster Investment Management

## Country Exposure

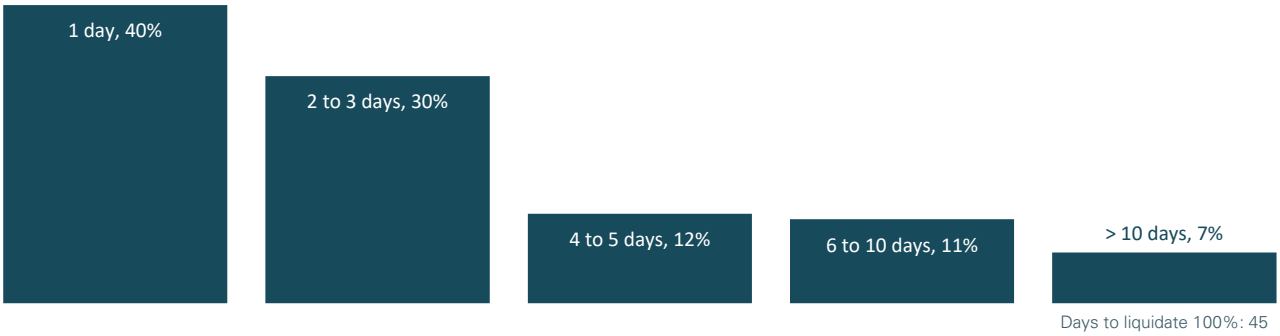



## Market Cap




Source: Lancaster Investment Management

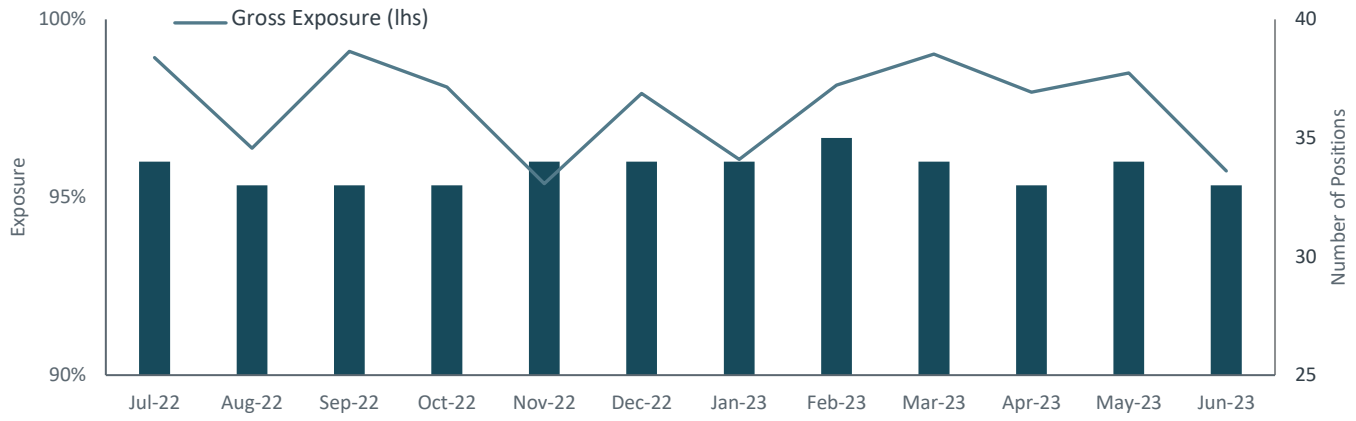
## Liquidity




Source: Lancaster Investment Management, Bloomberg

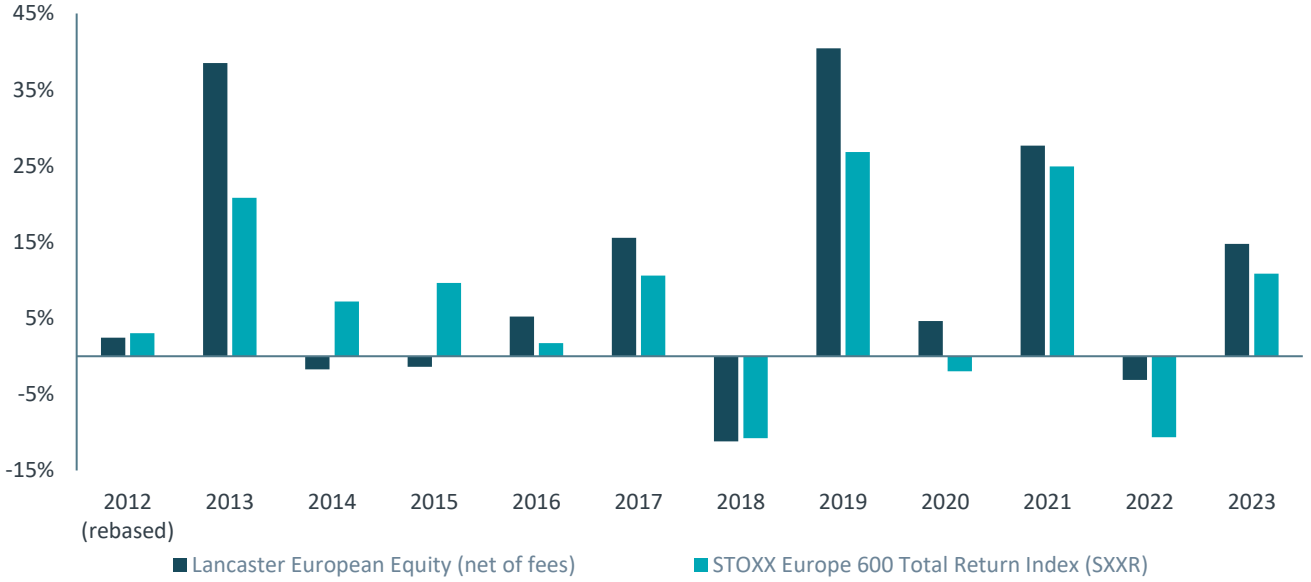
*Graphs for illustrative purposes only*

## 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 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | 11.47% | 2.53% | -0.44% | 0.69% | -3.90% | 4.22% | | | | | | | **14.76%** |

| | YTD | 2022 | 2021 | 2020 | 2019 | 2018 | Inception |
|---|---|---|---|---|---|---|---|
| Lancaster European Equity | 14.76% | -3.09% | 27.65% | 4.63% | 40.45% | -11.16% | **209.89%** |
| STOXX Europe 600 Net Return (SXXR) | 10.85% | -10.64% | 24.91% | -1.99% | 26.82% | -10.77% | **125.73%** |
| MSCI Europe Net Return (NDDLE15) | 10.54% | -8.54% | 22.61% | -2.21% | 23.75% | -10.59% | **124.91%** |

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** | 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<br>rory.hayward@lancasterIM.co.uk<br>+44 20 7842 1050 |

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

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