

Lancaster Developed Markets Fund

Portfolio Manager Q4-23 Report

Introduction

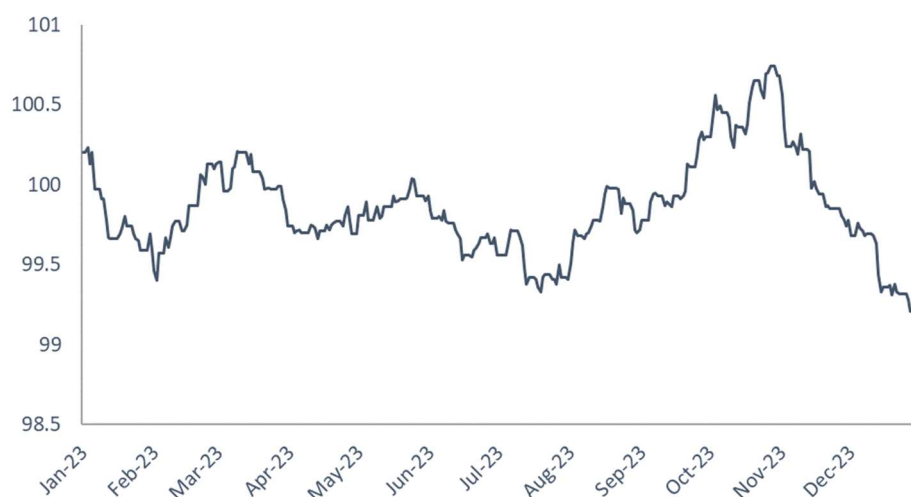
The Lancaster Developed Markets fund returned +19.2% in 2023 versus the MSCI Daily TR Net World +23.8%. In context it felt like a solid year given that after an encouraging first quarter the fund suffered a costly de-grossing during the summer due to events beyond our control. By the end of Q3-23 we had successfully transferred our franchise to Lancaster Investment Management and the fund finished the year well with a +13.6% gain in Q4-23. We would like to thank unit holders for the patience they demonstrated last year and hope to repay them with strong performance in 2024.

Macro

The outstanding macro feature of the fourth quarter was the fall in the expected level of interest rates for 2024. At the start of the quarter the market was expecting two rate cuts from the FED in 2024 and by the end of the quarter it was pricing in six. This significant drop in the yield curve was driven by a near-perfect combination of inflation coming in lower than expected and other economic data cooling off by just the right amount to make a soft landing look more likely. This situation resulted in a near-three standard deviation move in 10-year yields – creating a goldilocks setup for long duration assets.

At this stage of the cycle central banks must be congratulated for navigating potentially treacherous economic waters without a major slip up. For our money however the market is getting ahead of itself. The rally in risk assets in the fourth quarter leaves little margin for error and whilst inflation has fallen significantly since the start of the year financial conditions have been eased dramatically by the market before central banks have even started cutting.

Exhibit 1: Goldman Sachs US Financial Conditions Index, 1-Jan-23 to 31-Dec-23



Source: Goldman Sachs, Bloomberg

We believe there is a narrow range of outcomes to justify what much of the equity market is pricing in at present; the economy turning out too weak or too strong could create problems.

Performance

10.7% Monthly performance
19.2% Year-to-date performance
9.0% CAGR since inception

These figures refer to the past. Past performance is not a reliable indicator of future results.

Fund details¹

\$ I Class	248.35
\$ R Class	226.27
£ I Class	305.04
£ R Class	254.10
£ LI Class	92.80
€ I Class	283.73
€ R Class	150.54
Fund Size	\$77 million
Strategy AUM	\$1,130 million
Fund Inception	06 Jun 2013
Class Inception	06 Jun 2013
Fund Type	Irish Long Only UCITS
Base Currency	USD

Portfolio Managers

James Hanbury
Jamie Grimston

Gerard Minack's recent assessment of the state of play with markets and macro eloquently summarises some of our own views:

"US markets start 2024 expecting inflation to fall to target, GDP growth to slow but remain positive, EPS growth to accelerate, and the Fed to ease aggressively. Any one of those forecasts could be correct; perhaps two will be on the money – but it's almost impossible to think of a scenario where all these things happen in 2024. Which forecast is wrong will matter a lot. I think the market is under-estimating the risk that growth is weaker than forecast and that equities face a significant EPS miss. But if EPS growth accelerates, as expected, then the rate view will almost certainly be wrong."

On the downside a weaker than expected economy will see earnings revised lower for many companies which are starting on high multiples. The unprecedented circumstances of the COVID-induced recession may have distorted the market's view of how the 'Magnificent Seven' (Alphabet, Apple, Amazon, Meta, Microsoft, Nvidia and Tesla) will be impacted in a normal economic downturn.

One reason the economy may turn out to be weaker than expected is the significantly greater amount of private credit in the system – where opacity makes it harder for central banks and the market to track the impact of higher rates. Since 2006 private credit has grown 13-fold and, according to the CEO of Apollo, only 20% of new debt in the US goes through the banking system, which is one of the side-effects of regulations brought in post the Great Financial Crisis. Some of the features of private credit, in its broader definition, are being covenant-light and having floating rate debt. Companies accessing private credit markets effectively only 'default' when they actually run out of cash, giving less warning compared to traditional debt with covenants. We feel there is not enough scrutiny of how these companies are handling borrowing costs that, according to Refinitiv and KBW Research, have gone from c.6% to c.12% over the last two years. The covenant-light profile of private credit is one of the reasons that default rates are still low in this asset class. H1 2024 should be a good indicator as it will see the first major wave of refinancings in the private credit and leveraged loans market start to bite.

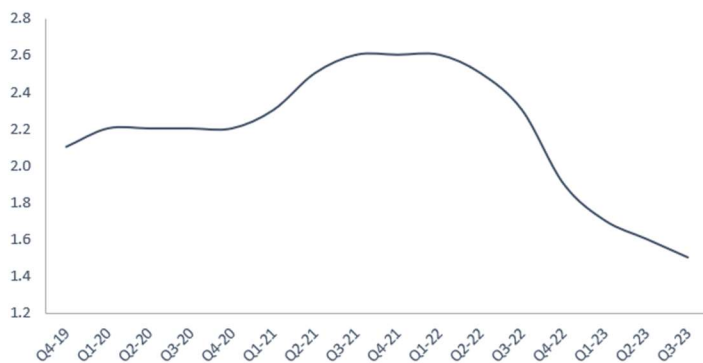
Certain US Senators share our concerns:

"Unlike the traditional banking industry, the private credit market is subject to minimal, indirect regulatory oversight. The lack of transparency in this market obscures its true size and risk. Troublingly, there is insufficient insight into the private credit market's key features, including loan terms, lenders' funding structures, and borrowers' financial health."

Letter dated 29th November 2023 to the Federal reserve from Sherrod Brown, Chairman of the Senate Committee on Banking, Housing and Urban Affairs.

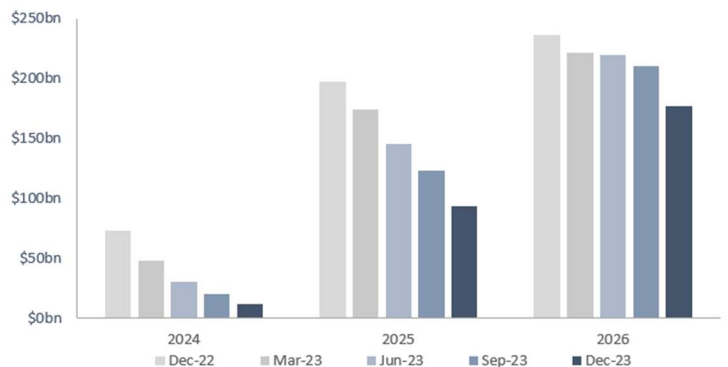
One of the ways we try to track the underlying health of the private credit market is by following the Business Development Companies, speciality finance companies that invest in private credit, where it is interesting how much their portfolio interest coverage ratios have fallen. FS KKR's portfolio interest coverage ratio in Exhibit 2 below is a prime example, down from 2.6 x in Q1-22 to 1.5 x in Q3-23. 1.5 x coverage when taken against EBITDA implies around 1x cash cover.

Exhibit 2: FS KKR Portfolio ICRs (EBITDA / Interest)



Source: Lancaster IM

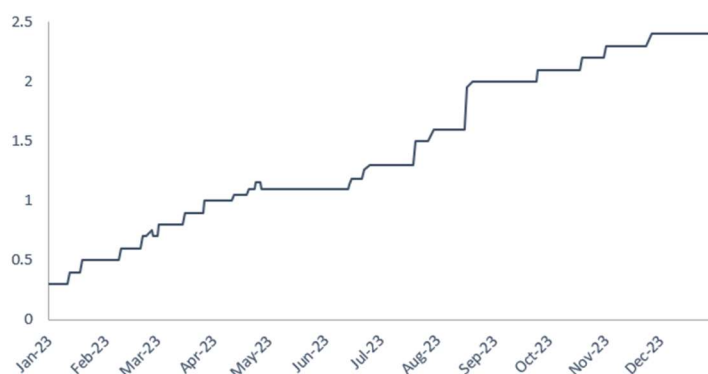
Exhibit 3: US leveraged loan refinance wall (\$bn).



Source: Exane, Pitchbook

Given the current importance of discount rates to the valuation of the market we see a soft landing (or no landing) as also potentially creating a headwind for equities. Falling rates will stimulate an economy already in 'good health' which would then set up a new hiking cycle but from a higher base. Whilst there have been some weaker data points – in manufacturing and continuing job claims for example – overall the U.S. economy has been remarkably strong with an unemployment rate and credit spreads close to record lows.

Exhibit 4: 2023 US GDP Economic Forecast, 1-Jan-23 to 31-Dec-23



Source: Bloomberg

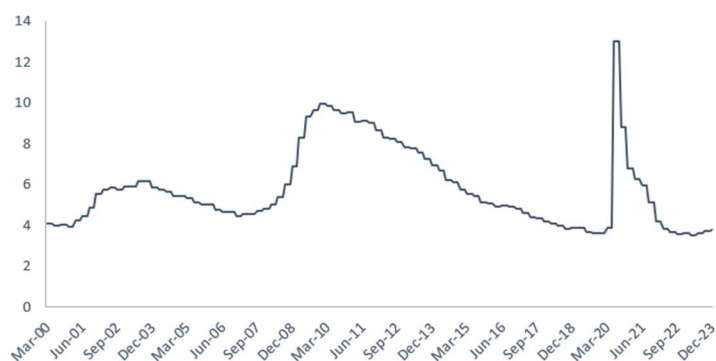
Exhibit 5: US High Yield ex Energy Average Option Adjusted Spread, 1-Jan-23 to 31-Dec-23 (%)



Source: Bloomberg

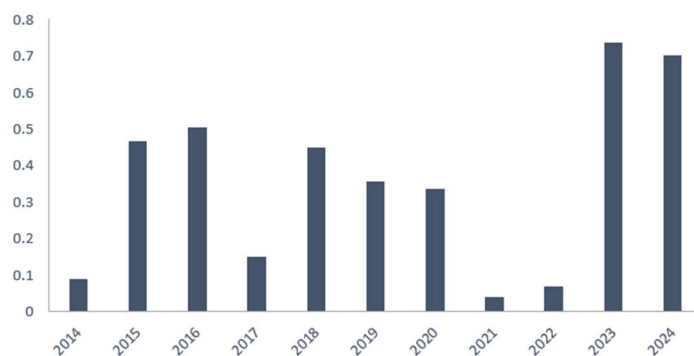
This may account for the unusually large gap between where the market sees rates in 12 months' time and where the FED sees them. With the above data taken into account it feels like an unlikely backdrop for an aggressive loosening cycle which may explain why the FED is diverging so much from consensus.

Exhibit 6: US unemployment (3 month average) 1-Mar-00 to 31-Dec-23



Source: Bloomberg

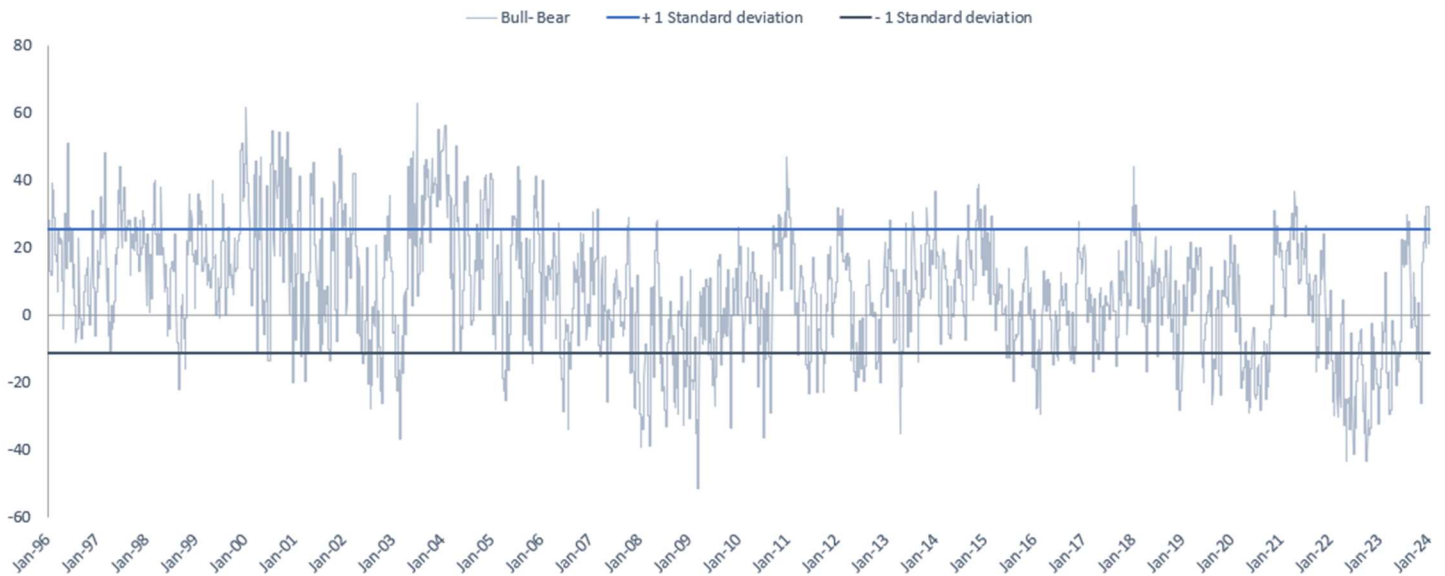
Exhibit 7: 1 year ahead FED Funds forecasts – gap between dots and market implied rates as at 31-Dec-23



Source: Bloomberg, Federal Reserve

Given the above confluence of expectations it is no surprise that sentiment in the US equity market approached euphoric at the year end:

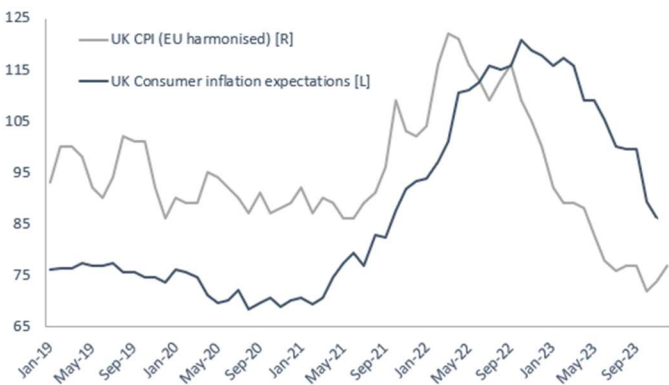
Exhibit 8: AAI US Investor Sentiment Bullish Readings Minus Bearish Readings 1996-2023



Source: American Association of Individual Investors, Bloomberg

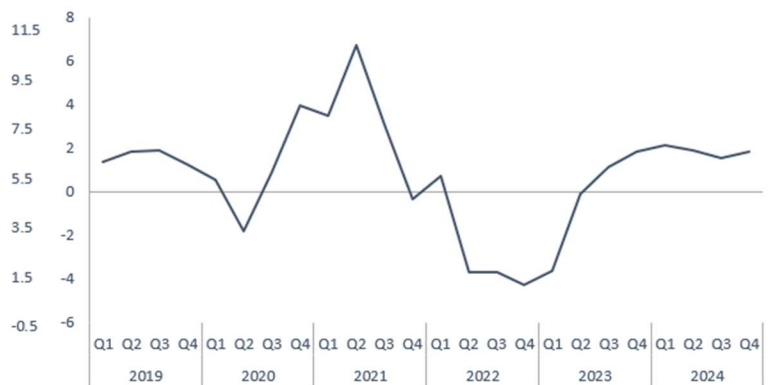
The UK economy also finds itself in quite a different situation compared to this time last year. Consumers are now beginning to see decent real income growth. Despite well publicised public sector strikes consumer expectations for inflation, which can be a self-fulfilling driver, are now approaching 2019 levels.

Exhibit 9: UK inflation expectations



Source: Lazarus Economics

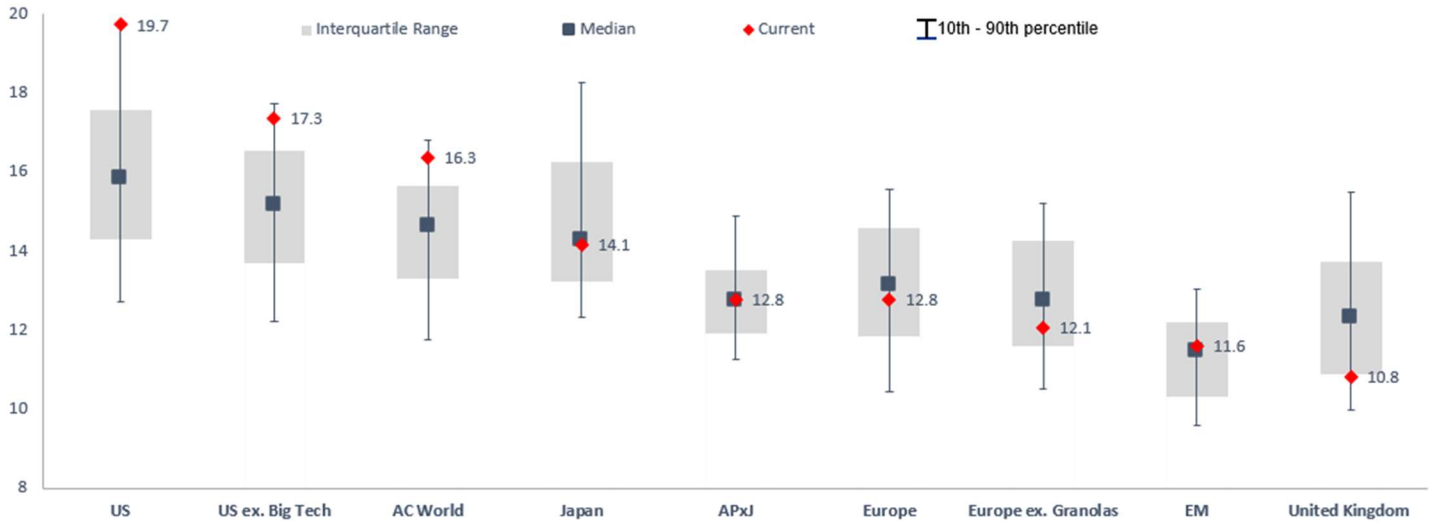
Exhibit 10: Real average UK earnings (% YoY)



Source: Lazarus Economics, ONS

Despite its economy trading a similar path to the US in 2023, with higher GDP growth and lower inflation than expected, the chart below shows just how unpopular the UK market is at present – in stark contrast to the US.

Exhibit 11: Geographical spread of valuations across regions - 12m fwd P/E multiple. MSCI Regions. Data for the last 20 years to 31-Dec-23



Source: Goldman Sachs, FactSet

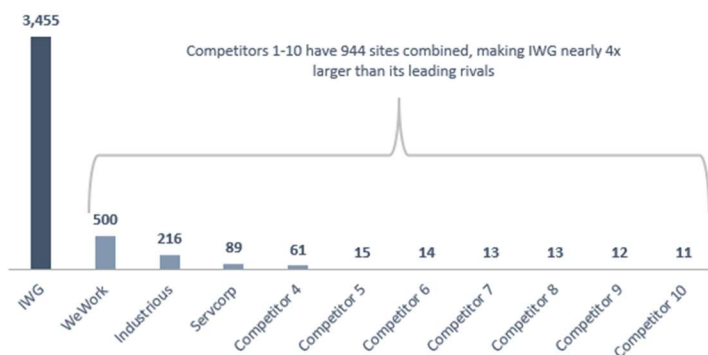
The irony with our UK-listed positions is that most of them are multinational companies with relatively little revenue derived from the UK. Several of them (Plus500, IWG...) are talking about potentially relisting in the US.

Performance and positions

The fund gained +13.6% in Q4-23 and +19.2% for 2023 as a whole. Whilst the calendar year performance was behind the MSCI Daily TR Net World's +23.8% gain, we estimate the events of the summer cost approximately -3.5%: around -2.5% during the period of forced de-grossing and the remainder lost performance from our former position in Restaurant Group which we were unable to re-enter before it received a cash offer. Meanwhile an astonishing +41.0% of the World Index's gain was driven by the Magnificent Seven, without which the same index would have returned +11.6%.

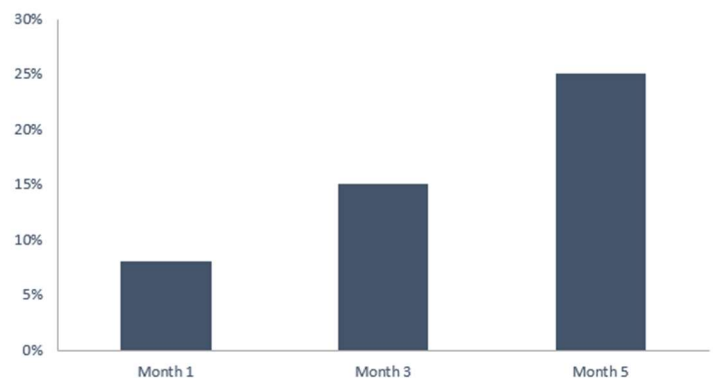
IWG was one of our top contributors in the quarter. This was no surprise after the December capital markets day which was possibly the most positive CMD we have seen relative to what is priced into a stock. It also helped that WeWork finally also went into Chapter 11 in the US and Canada and should return as a much smaller business with more rational pricing. The company made it clear how dominant its position now is, with nearly four times the number of centres compared to the next ten competitors combined. This creates a powerful network effect. The company also explained how its future expansion requires much less capital and that an uncertain office market is helpful in terms of boosting its growth with landlords becoming more likely to switch from a traditional office offering to a flexible one run by IWG.

Exhibit 12: IWG's dominant industry position



Source: Lancaster IM

Exhibit 13: Encouraging signs of cross fascia spend: 25% of customers shopping cross fascia within 5 months of onboarding on Frasers Plus



Source: Frasers Group

The company guided to \$1bn of EBITDA from 2028. Although this looks conservative against the granular guidance management gave for each division it still offers high teens annual growth rates and would typically justify a high multiple – as per most growth franchise businesses. Putting the EBITDA guidance

on a multiple of 15x would give an enterprise and market cap target value of \$15bn versus the current market cap of c.\$2bn. We like finding investments where the upside is large enough with basic assumptions that we have significant margin for error. We believe 2024 should be a big year for IWG in terms of providing proof points for its capital light growth and hopefully in getting more mainstream coverage from the sell-side. With over 60% of profits coming from the US a relisting is an option if the UK market does not re-rate the business.

Frasers Group was also a top contributor for the fund in the quarter as it continues to deliver robust results whilst taking high-quality long-term investment decisions. With its high cash conversion and backing from the major sports and fashion brands Frasers can keep making acquisitions that should see its market share grow meaningfully across Europe in a value-accretive manner. We will discuss the challenger sports brands in more detail below but with the likes of On Running, Lululemon and Hoka taking share from Nike and Adidas in key categories in recent years this has given more power to the key wholesalers. Meanwhile Frasers is rolling out its credit and personalisation offering, Frasers Plus, across all its brands. The early indications here are encouraging and this should offer organic growth for many years ahead as well as providing white labelling opportunities.

A new and meaningful position for the fund in the quarter was **Liberty Global**. This is a fascinating John Malone company of which he is chairman and a major shareholder. Liberty Global offers converged broadband, video and mobile communications in Europe; its main brands are Virgin Media and O2 in the UK, VodafoneZiggo in Holland, Telenet in Belgium, and Sunrise in Switzerland. It also has investments in content, technology and infrastructure. There are five main reasons as we see it that this is an orphaned asset on a highly distressed valuation:

1. It is listed in America yet owns European cable and telecom assets.

This makes no difference to the intrinsic value but provides an opportunity for us to acquire shares at a decent price and for management to arbitrage the market by buying back shares. The company recently upgraded its buyback to 18-19% of the share count for its current financial year. It has bought back c.60% of its shares in the past 4 years. Effectively the company is being taken private by management who own more than \$700m of shares and have voting control.

2. It is complicated to understand

There are four main assets held in separate companies, sometimes JVs or even JVs within the JVs! Whilst it is true this is a complex structure there is method behind the madness. It offers Liberty Global upside from each operating asset, as all free cash flow is upstreamed to the parent company whilst protecting it from having any recourse from the operating company liabilities. The structure also avoids any risk of cross-default, in the event (unlikely in our view) that one asset becomes distressed. All op-co debt silos are also fully 'portable' which insulates equity holders from any change-of-control ramifications.

3. The market feels the company is too highly leveraged

Liberty Global, the parent company, effectively has cash of \$3.5bn, equal to roughly half its market value with essentially no debt – assuming the bridging loan of c.\$850m at the parent company gets repaid by Telenet in the next few months as guided. At this point the debt will then be held at the operating asset level with no recourse to the listed parent company. Whilst targeted debt levels at the operating companies of 4-5x EBITDA are high by European standards, those balance sheets are almost fully hedged at favourable fixed interest rates and with currency exposure also hedged. The average maturity of the debt is c.6 years. One can argue that if you marked to market the rates on Liberty's operating entity debt then much of the free cash flow coming back to the parent company would disappear. However we take the view that, if interest rates remained at these levels for the next 5/6 years, then the sector would be forced to 'price up' and there would be significant creative destruction to the benefit of Liberty Global. We also note that a number of Liberty's assets (UK, Belgium, Ireland) are each in the midst of a major, once-in-a-generation, investment phase as their networks are upgraded from cable to fibre. Even if, in contrast to market expectations, interest rates remain elevated for the next decade, this capex 'spike' should fall sharply at the same time as interest costs would rise helping to absorb a large part of the impact.

4. From a technology perspective cable is an inferior offering to fibre when it comes to energy efficiency and fault rates.

Again there is some truth here but, as alluded to above, by the end of the decade Liberty Global is planning to have upgraded around 70% of its c.30m current footprint to fibre to the home. Where this is not happening, it will upgrade to Docsis 4.0, a technology being used in America by Comcast and Charter.

5. Lastly the market does not believe the \$3.2bn valuation of Liberty Global Ventures (LGV) – the portfolio of investments that sits on the balance sheet and makes up close to 100% of Liberty Global's Enterprise Value excluding non-recourse debt.

We are inclined to be sceptical of private market values at present but some of the stakes are in listed shares like Vodafone and ITV. One large position, All3Media (of which Liberty Global owns 50%), is reportedly close to being sold at a c.\$1.3bn EV to Redbird IMI, consistent with the equity value within the \$3.2bn valuation. Other meaningful stakes held are in Atlassian, a datacentre business, Formula E and other content and technology businesses. Given the rumoured transaction of All3Media and the listed stakes this materially reduces the potential mark-to-market downside of the LGV valuation.

As well as being comfortable with the bear points we also see several standalone bull points. The UK entity is in an almost unique position to buy distressed alternative network providers at below the cost of building the fibre. Separately regulators in Europe seem to be becoming more sympathetic towards

allowing 4 to 3 consolidations within countries and allowing the industry to generate higher returns. Although regulators like consumers having low prices it has become apparent that retaining sovereignty of infrastructure is also important. Liberty Global management has guided that for its Q4-23 results it will provide an update on how it will accelerate value accretion for shareholders with capital allocation decisions. This may involve selling or IPOing some operating assets or accelerating the buyback with cash proceeds from investment sales.

With a market cap of c.\$7bn (as of 3rd Jan), Liberty Global has an EV of \$3.5bn when you consider the debt is non-recourse and the cash sits at the parent company. After subtracting the value of LGV its EV falls to c.\$300m. The next few years are those of heavy investment spend in fibre. Even after this impact the proportionate free cash flow for Liberty Global from its operating entities after central costs is forecast by Redburn to be \$973m for 2024 and \$1060m for 2025 – FCF yields to the EV of around 300%. If we say LGV is only worth 80% of the stated value, this still puts Liberty Global on a FCF yield of 99% for 2024 and 108% for 2025. It is no surprise management is buying back shares at such a rate. History suggests that when John Malone allocates capital aggressively it is worth taking note.

Exhibit 14: Liberty Global FCF yield to EV post the investment stakes

Discount applied to Liberty Global Ventures	2024 FCF yield to EV	2025 FCF yield to EV
0%	288%	314%
-20%	99%	108%
-40%	60%	66%
-60%	43%	47%
-80%	34%	37%
-100%	28%	30%

Source: Lancaster IM, Redburn

Exhibit 15: Liberty Global share price vs quarterly diluted weighted average share count – 1-Jan-19 to 1-Jan-24



Source: Bloomberg

On the topic of buybacks at present circa 45% of our exposure is to companies buying back their shares. When we look at who could potentially implement a new programme in the next 12 months this rises to 86%. Of course, we do not expect this to all play out, but it gives a sense of the capital allocation opportunities for our long book management teams, linked to the fact that these companies are on average less leveraged than the market. This is powerful when the median P/E for the long book is 8.5x for 2024.

One of our poor contributors in the quarter was **Ubisoft Entertainment**. There was some technical selling due to the company rolling forward a convertible bond and pessimism on Avatar sales may also have been a factor. We do track the estimated sales of individual games and, whilst we can see that Avatar has been subdued in the quarter, we are comfortable that the broader portfolio is heading in the right direction. Similarly, we are happy that Ubisoft is executing on its strategy of focusing on its core franchises and we believe that the IP in the third largest independent Western video gaming company in the world is worth significantly more than its current EV of c.\$4bn. During the quarter there were more stringent gaming measures announced in China. Given Ubisoft's marginal current direct exposure to China, we believe this could increase its strategic value to Tencent. For March 2024, Ubisoft trades on <2x EV/sales despite this year still representing a relatively modest level of pipeline monetisation. The Guillemot family (in collaboration with Tencent) bought shares during the quarter and we also added to our position.

During the quarter we sold one of our smaller Russian positions, **TCS**, in an off-exchange transaction which contributed circa 1.1%. Whilst we are comfortable with how TCS is performing as a business, we sold at a valuation we would not normally have considered as the opportunity to trade in TCS is likely to disappear as it redomiciles from Cyprus to Russia at the end of this month. Given we have significant other Russian holdings valued at zero we felt it appropriate to take some money off the table for investors when the opportunity presented itself. If we could sell our other Russian positions at the local market price, which to be clear we cannot at present with the sanctions in place, then it would add circa 20% to the fund's NAV.

As things stand UK housing looks set for a rebound but this is not being priced in by assets we own. The next UK general election is likely going to be in the autumn of this year, and we see housing as a battleground for 'promises' where both contenders are vying to be the party of home ownership. Our exposure is through Vistry, Ibstock and Forterra which are all beneficiaries of increasing volume, and orderly pricing, of new build homes. It is odd therefore how the market got to near-trough multiples on trough earnings for these companies in the autumn – though somewhat recovered since. Falling borrowing costs and wage inflation vs sustained rental inflation, along with the structural needs for housing all point to a market where 2024 should see a path back towards more normal housing volumes.

Our airlines did very well in the year as **Jet2** and **Ryanair** were both top contributors. We have been discussing this for some time but with demand bouncing back into a weaker capacity environment it will result in record profits for the year ended March 2024. We believe they both remain cheap for structural market share winners. Jet2 (excluding half customer cash) and Ryanair trade on 3.5x and 6.0x EV/EBIT for March 2025 respectively.

Positioning

The fund remains overweight Europe, and in particular the UK, and underweight the US. We are unhedged on currencies but through our stock positioning we are overweight sterling and the Euro relative to the index. One of the pushbacks we get with our overweight in Europe is that it is only a cheaper market due to its lower growth rates. Whilst we would accept the growth discrepancy at a market level, the fund is constructed on a bottom-up basis, focussing on the areas where we believe we have the greatest degree of edge and which we consider to offer the best risk-reward. This stockpicking has limited the fund's underperformance over the last five years during a period when our factor exposures (Europe vs US and Value vs Growth) have been a headwind. When we look at five of our top holdings, these companies are all growing faster than the US market at much lower valuations:

Exhibit 16: Growth rates of top ex US listed holdings

	Last 10 years revenue CAGR	Next 3 years revenue CAGR	EV/EBIT 2024	P/E 2024
Frasers Group	8%	9%	7.9	8.2
IWG	7%	10%	9.5	12.6
Ubisoft Entertainment	7%	8%	10.3	14.3
Jet2	22%	14%	3.7	6.9
Plus500	20%	13%	3.8	5.5
Average	13%	11%	7.0	9.5
US market (S&P 500)	5%	5%	16.0	19.3

Source: Lancaster IM, Bloomberg.

The fund continues to be cheaper than the market as a whole – offering us a wider margin of safety should global growth disappoint on the downside. This scenario would likely see many of our holdings accelerate their buybacks. If the soft landing called for by consensus materialises then we see considerable re-rating potential for many of our names.

Exhibit 17: Lancaster Developed Markets | Valuation multiples

	Forward P/E	Forward EV/EBIT	Forward EV/Sales
Lancaster Developed Markets	8.5	7.5	0.9
MSCI World Index	17.6	14.9	2.4

Source: Bloomberg, Lancaster IM, as at 12-Jan-24.

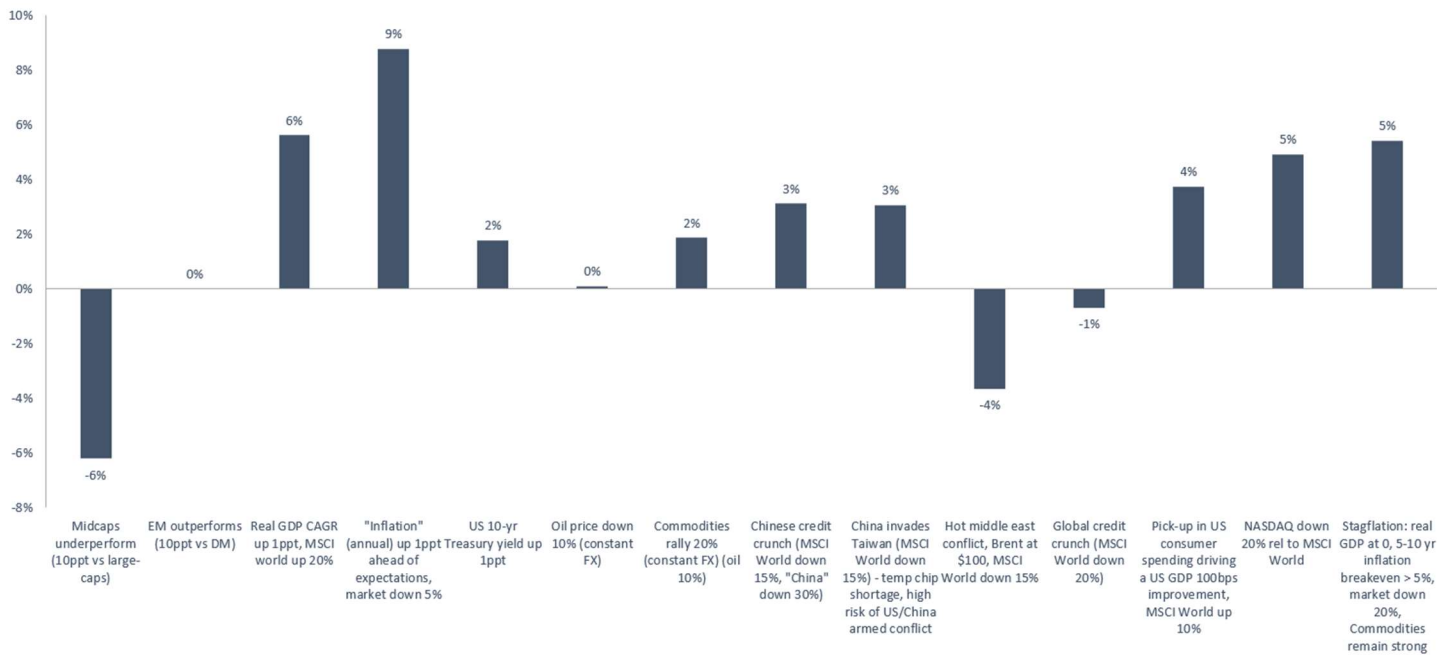
Our factor exposures are shown on the next page.

Conclusion

In summary we feel for large parts of the equity market the setup is quite precarious due to pricing in continuation of a goldilocks scenario. Economic growth that is too strong or too weak could be unsettling. Relative to the MSCI Daily TR Net World our own book has a much higher implied equity risk premium, a stronger growth profile and more balance sheet optionality. It is no surprise therefore that we look forward to 2024 with much anticipation.

Once again we would like to thank you for your support during the year, particularly as we moved from Brook to Lancaster. As more time has passed at Lancaster our conviction on it being the right home for us has only increased. We look forward to updating you further on our quarterly conference call.

Exhibit 18: Lancaster Developed Markets Fund | Estimated factor return as at 12-Jan-24 (relative)



Source: Lancaster IM unaudited internal data & Bloomberg, as at 12-Jan-24. Note: Assumes current currency hedging; The information above is an estimation of the expected factor return; Lancaster may make investment decisions that are inconsistent with these views expressed in this communication. The chart above presents projections of future performance. These projections are based on a number of assumptions that may or may not prove to be accurate. Future performance is subject to a wide range of significant risks. As a result, there can be no assurance that the projections in the chart above will prove to be accurate.

James Hanbury & Jamie Grimston

Lancaster Developed Markets Fund

Net Performance (GBP)

	1-month	3-month	1-year	3-year	5-year	YTD	Inception	Inception CAGR
Fund	10.7	13.6	19.2	-0.7	79.2	19.2	148.4	9.0
MSCI Daily TR Net World	4.9	11.4	23.8	23.4	82.7	23.8	163.0	9.6
Relative	5.8	2.2	-4.6	-24.1	-3.4	-4.6	-14.7	-0.6

Yearly Trailing Performance (net)

1-year to	29-Dec-19	29-Dec-20	29-Dec-21	29-Dec-22	29-Dec-23
Fund	27.9	41.1	11.7	-25.5	19.2
MSCI Daily TR Net World	27.7	15.9	21.8	-18.1	23.8
Relative	0.2	25.2	-10.1	-7.3	-4.6

Monthly Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index YTD
2023	12.7	-1.0	-0.7	3.0	-8.3	1.8	5.4	-2.3	-4.3	-7.6	11.1	10.7	19.2	23.8
2022	-0.6	-10.6	-3.6	-4.3	4.4	-16.8	6.0	-6.9	-13.6	10.6	14.8	-3.3	-25.5	-18.1
2021	-4.6	11.1	0.7	4.4	4.4	-6.2	0.4	1.7	1.2	0.1	-9.6	9.6	11.7	21.8
2020	-4.3	-10.5	-25.0	20.3	12.6	3.0	0.2	18.0	-5.1	6.7	22.4	7.3	41.1	15.9
2019	11.7	-1.5	-0.1	1.5	-5.1	-1.8	-0.4	-3.3	3.7	7.2	3.9	10.6	27.9	27.7
2018	6.8	-4.1	-2.3	5.9	0.6	0.4	2.1	-3.2	0.6	-6.2	-0.5	-11.8	-12.5	-8.7
2017	1.5	3.2	2.4	5.3	3.8	-0.1	4.6	3.8	4.6	0.3	0.7	-0.1	34.4	22.4
2016	-11.0	4.3	5.8	-1.7	2.4	-3.1	5.2	0.8	-1.5	-8.3	0.5	-1.7	-9.4	7.5
2015	-2.2	6.0	-1.4	2.9	-1.5	-0.3	2.6	-5.8	-2.1	7.4	-0.9	-3.2	0.6	-0.9
2014	-3.5	5.3	-1.9	-3.1	3.7	-1.7	-2.3	2.0	-4.7	4.4	5.0	1.6	4.0	4.9
2013						-1.7	7.9	-2.0	8.5	4.0	2.9	3.1	24.4	15.2

Fund details¹

\$ I Class	248.35
\$ R Class	226.27
£ I Class	305.04
£ R Class	254.10
£ LI Class	92.80
€ I Class	283.73
Fund Size	\$77 million
Strategy AUM	\$1,130 million
Fund Inception	06 Jun 2013
Class Inception	06 Jun 2013
Fund Type	Irish Long Only UCITS
Comparators	MSCI Daily TR Net World GBP
Base Currency	£

Team & contact details

Portfolio Managers

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Top 10 Long Equities

IWG	9.8%
Frasers Group	8.0%
Plus500	6.9%
Jet2	6.8%
Conduit Holdings	5.8%
Ubisoft Entertainment	4.6%
AO World	4.5%
Shell	3.4%
BP	3.4%
ArcelorMittal	3.3%

Portfolio Characteristics

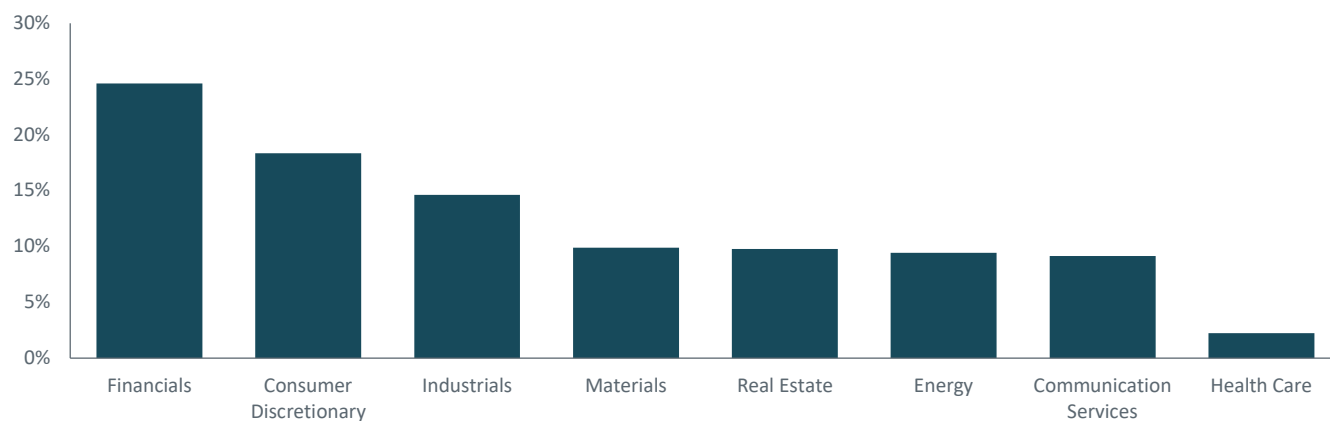
Number of positions	33
Cash level	1.9%

Important information

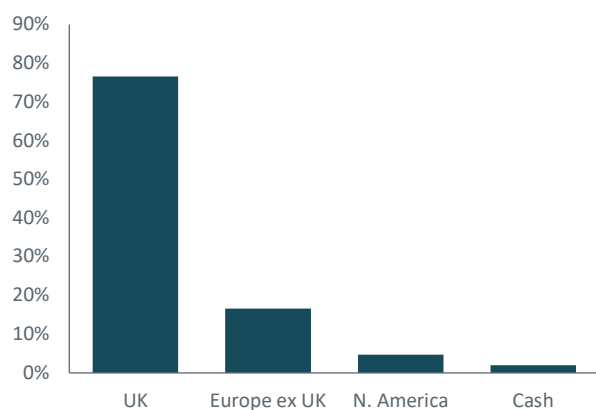
These figures refer to the past. Past performance is not a reliable indicator of future results.

This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available on request from Lancaster Investment Management. The performance calculation shown is based on the USD I share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

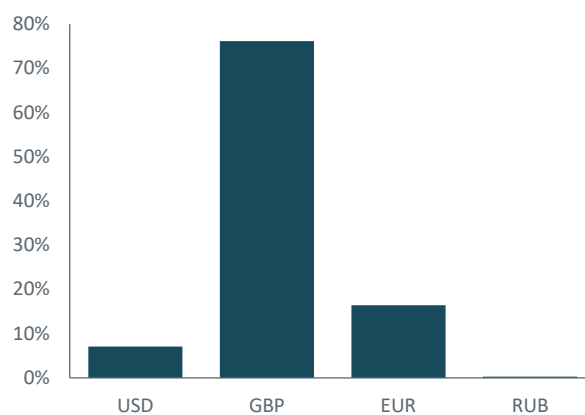
Equity exposure by sector



Equity exposure by geography



Currency exposure



Allocation figures are taken at close of business whereas Fund performance is taken at 2pm. Equity exposure includes all equity related instruments. Commentary is provided on a quarterly basis. Equity exposure as classified by GICS. The fund was renamed from Brook Developed Markets to Lancaster Developed Markets in Q3-23 on the back of the Investment Management Agreement transferring to Lancaster Investment Management LLP. All performance in base currency (USD).

Source: All sources, unless otherwise stated, are Lancaster internal unaudited data and refer to the USD I share class. All data shown as at 31 Dec 2023. ¹Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

Investment objective and policy

The Lancaster Developed Markets Fund ("The Fund") aims to achieve long term capital growth. Capital is at risk and there is no guarantee that a positive return will be delivered over multiple time periods. The Investment Manager seeks to achieve this objective through managing a concentrated portfolio of publicly listed equity investments.

Approach

The strategy is concentrated, long-only, valuation driven and global in scope. The portfolio managers investment approach is built around some core principles; investing in fundamentally sound companies, invest with conviction, focus on sustainable free cash flow generation and seek out corporate management teams who are well aligned. The strategy harnesses the experience and judgement of James Hanbury, his investment team and the wider equity research resource at Lancaster Investment Management. While the team invest for the medium to long term, they continuously resize positions to ensure the portfolio remains focused on their highest conviction ideas. The Fund is built without formal reference to an index and typically contains 25-40 long positions with a higher concentration in the top 10 positions.

Risk Considerations

The Fund has considerable latitude over its allocation and may own sophisticated instruments such as futures and options for efficient portfolio management. The Fund may hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate higher risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

Investor information

Share classes	I (£, €, \$), R (£, €, \$), LI (£, €, \$)	Minimum investment	R £5,000; I £1,000,000, LI £100,000,000 (or equivalent in €/£)
Trade date (T)	Daily	Dividends	Income potentially distributed on GBP I, R, LI; EUR LI; USD LI
Share class hedging	Non-base currency share classes are unhedged	Administrator	US Bank Global Fund Services (Ireland) Ltd.
Dealing	By 2pm T-1	Custodian	European Depositary Bank
Valuation	Close of business T-1	Auditor	Deloitte
Front end fee	Up to 5%	Fund Domicile	Ireland
Annual management fee	(\$R, €R, £R) 1.20% (\$I, €I, £I) 0.70% (\$LI, €LI, £LI) 1.00%	Price reporting	Prices published daily on lancasterim.co.uk, Bloomberg and by other third party data providers.
Performance Fee	20% of the relative outperformance of the benchmark, the MSCI Daily TR Net World index. Relative underperformance is carried forward. No performance fee on LI share classes.	ISIN	\$I: IE0000L9CVF8, €I: IE0008B67KL6, £I IE000QZFOHT6, \$R: IE0003XZMX97, €R: IE00040AEQV0, £R: IE0006EP7X69, \$LI: IE000WPTQHL8, €LI: IE000UAUOKV0, £LI: IE000F5XHN28
Anti-dilution fee	May apply to subs/reds if net subs/reds 5% of NAV	SEDOL	\$I: BM90BJ0, €I: BM909X0, £I: BM90B90, \$R: BM90BK1, €R: BM909W9, £R: BM90BF6, \$LI: BM90BL2, €LI: BM90BG7, £LI: BM909Y1

Important Legal Information & Disclaimer

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

This document and the information contained in it relates to the Lancaster Developed Markets Fund (the "Fund") and is being communicated by Lancaster Investment Management LLP ("LIM"). LIM is authorised and regulated by the Financial Conduct Authority (the "FCA") of the United Kingdom and is registered as an investment adviser with the United States Securities and Exchange Commission. LIM and its affiliates together will be referred to as "Lancaster" in this document.

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Investments that have an exposure to currencies other than the base currency of the Fund may be subject to exchange rate fluctuations. This communication and the information contained therein is a financial promotion for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom and the rules of the FCA. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, anyone who comes into possession of this communication should inform themselves of and observe these restrictions. Lancaster is not liable for a breach of such restrictions or for any losses relating to the accuracy, completeness or use of information in this communication, including any consequential loss.

Please always refer where appropriate to the relevant Fund prospectus and relevant key investor information document(s) before you invest. The Fund's prospectus and key investor information documents are available in English and may be obtained from reporting@lancasterim.co.uk.