

# Lancaster European Equity

June 2018

June saw no significant positive contributors and one disappointing negative outcome but ultimately the month produced a small amount of alpha. Our new investment in Osram Licht had a profit warning which, while painful, allowed us to scale into the position. The company was spun off from Siemens five years ago and in that time the asset has undergone a significant transformation. The consumer lighting business has been sold and what remains is largely a semiconductor business. Today we see the company as a high return, growth franchise with a net cash balance sheet. The profit warning was due to a general slowdown in end markets and some delayed projects. The investment is covered in more detail in the second quarter letter. We initiated a new position in Zalando, the largest online apparel retailer in Europe. We believe Zalando's business model is shifting from wholesale distribution to a services-led platform model through which brands can access Zalando's customer reach and distribution platform; this should result in much higher ROIC as Zalando monetises its dominant position in the online space.

| Performance                   | Fund   | Index* | Exposure                         |        |
|-------------------------------|--------|--------|----------------------------------|--------|
| Return on month               | -0.23% | -0.63% | Cash                             | 3.8%   |
| 12 month return               | 16.44% | 2.94%  | Beta                             | 95.4%  |
| 3 year return <sup>†</sup>    | 5.11%  | 2.71%  | Average market cap (\$ millions) | 27,465 |
| 5 year return <sup>†</sup>    | 8.62%  | 8.86%  | Number of positions              | 37     |
| Inception return <sup>†</sup> | 10.63% | 9.25%  |                                  |        |

## Top 3 Positive Contributors

Serco Group  
Essilor International  
Information Technology

## Top 3 Negative Contributors

Industrial  
Consumer Discretionary  
Financial

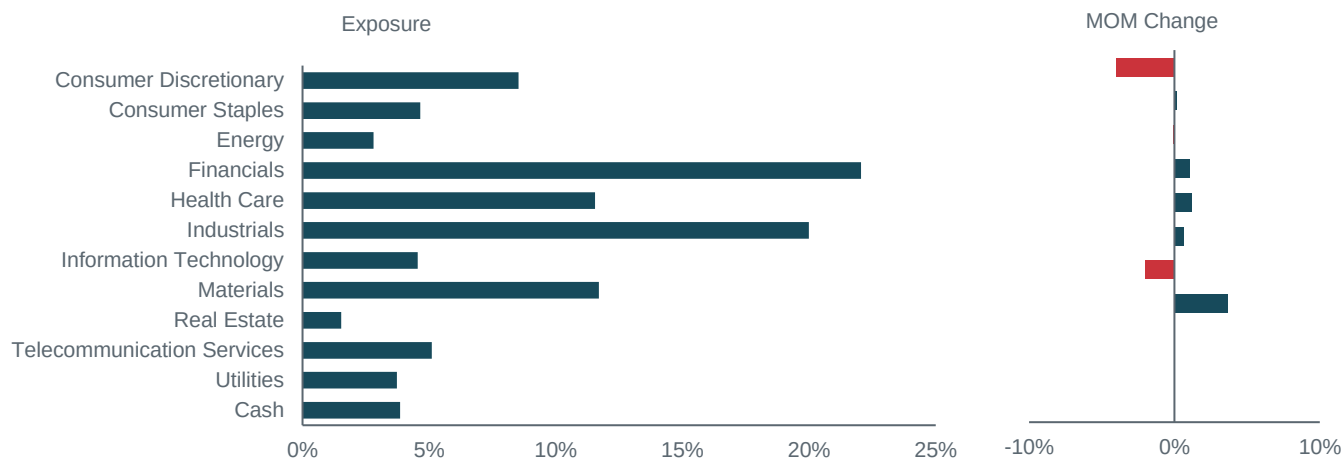
## Top 5 Longs

|                       |              |
|-----------------------|--------------|
| Essilor International | 7.3%         |
| Cobham                | 4.9%         |
| Tesco                 | 4.7%         |
| Serco Group           | 4.5%         |
| UBS                   | 3.9%         |
| <b>Total</b>          | <b>25.3%</b> |

\* Index is STOXX Europe 600 TR (SXXR), Performance quoted from Lancaster European Equity LP Sub Class 1  
Source: Lancaster Investment Management, Bloomberg

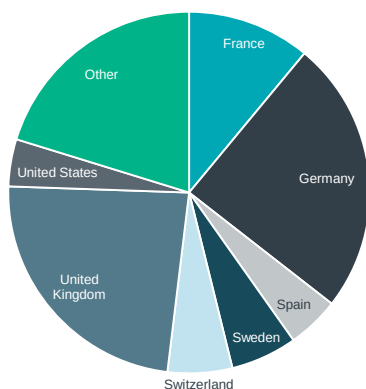
† Annualised return

## Sector Exposure



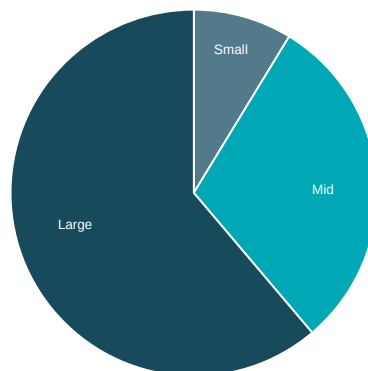
Source: Lancaster Investment Management

## Country Exposure



Source: Lancaster Investment Management

## Market Cap

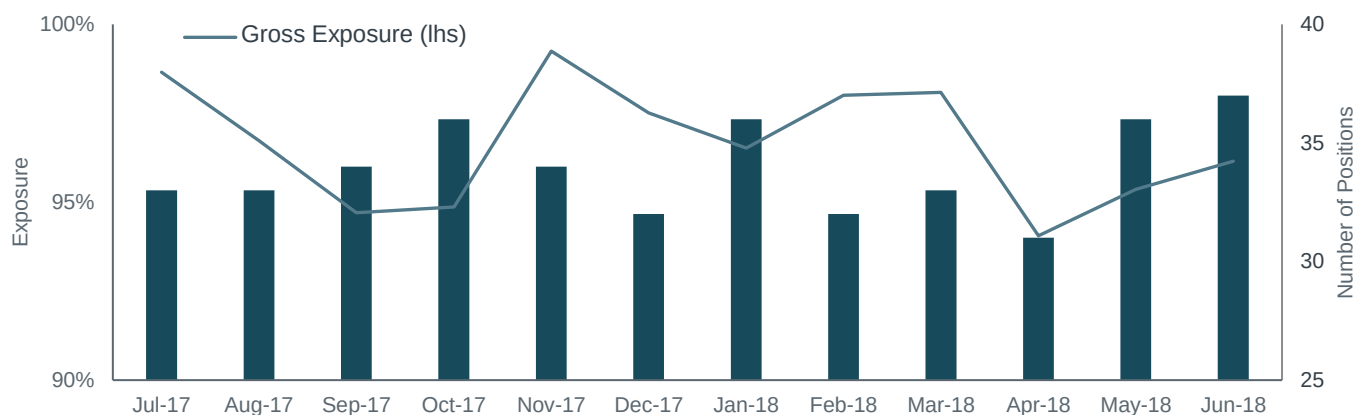


## Liquidity



Source: Lancaster Investment Management, Bloomberg

## Portfolio Composition



Source: Lancaster Investment Management

## Leverage

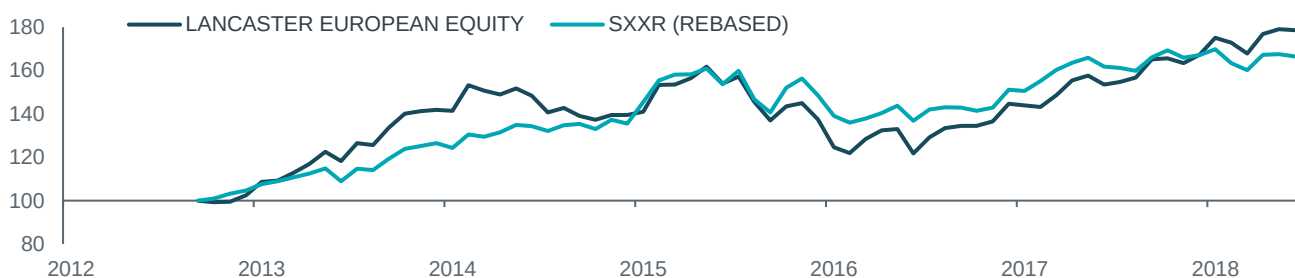
|                   |     |
|-------------------|-----|
| Gross method      | 1.8 |
| Commitment method | 1.0 |

## Historical Performance

|             | Jan    | Feb    | Mar    | Apr    | May   | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | Year          | Inception     |
|-------------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| <b>2012</b> |        |        |        |        |       |        |        |        |        | -0.72% | 0.14%  | 3.03%  | <b>2.43%</b>  | <b>2.43%</b>  |
| <b>2013</b> | 6.03%  | 0.54%  | 3.34%  | 3.68%  | 4.67% | -3.48% | 7.09%  | -0.69% | 6.30%  | 4.89%  | 0.78%  | 0.45%  | <b>38.51%</b> | <b>41.87%</b> |
| <b>2014</b> | -0.28% | 8.28%  | -1.60% | -1.15% | 1.88% | -2.23% | -5.16% | 1.45%  | -2.64% | -1.23% | 1.55%  | 0.00%  | <b>-1.71%</b> | <b>39.44%</b> |
| <b>2015</b> | 1.16%  | 8.76%  | 0.05%  | 1.92%  | 3.43% | -4.87% | 2.18%  | -7.46% | -5.86% | 4.77%  | 1.02%  | -5.18% | <b>-1.38%</b> | <b>37.51%</b> |
| <b>2016</b> | -9.41% | -2.14% | 5.34%  | 3.09%  | 0.46% | -8.38% | 6.07%  | 3.31%  | 0.70%  | 0.03%  | 1.57%  | 5.93%  | <b>5.23%</b>  | <b>44.70%</b> |
| <b>2017</b> | -0.48% | -0.60% | 3.90%  | 4.56%  | 1.36% | -2.63% | 0.82%  | 1.33%  | 5.42%  | 0.25%  | -1.39% | 2.35%  | <b>15.55%</b> | <b>67.21%</b> |
| <b>2018</b> | 4.72%  | -1.24% | -2.91% | 5.35%  | 1.25% | -0.23% |        |        |        |        |        |        | <b>6.86%</b>  | <b>78.68%</b> |

Performance quoted net of fees from Lancaster European Equity LP Sub Class 1

## Fund Performance



Source: Lancaster Investment Management, Lancaster European Equity LP Sub Class 1 (US\$), Bloomberg

## Lancaster European Equity Details

|                           |                        |                                |                                                                              |
|---------------------------|------------------------|--------------------------------|------------------------------------------------------------------------------|
| <b>Launch date</b>        | October 2012           | <b>Fund Structure</b>          | Cayman Master Feeder: Cayman Ltd, Delaware LP                                |
| <b>Redemptions</b>        | Monthly                | <b>Administrator</b>           | Morgan Stanley Fund Services                                                 |
| <b>Notice Period</b>      | 60 days                | <b>Auditor</b>                 | KPMG                                                                         |
| <b>Minimum Investment</b> | \$5,000,000            | <b>Prime Brokers</b>           | Goldman Sachs, Morgan Stanley                                                |
| <b>Management Fee</b>     | 0.75%                  | <b>Custodian</b>               | State Street                                                                 |
| <b>Performance Fee</b>    | 15% * (subject to HWM) | <b>Legal Advisors (UK)</b>     | Schulte Roth & Zabel                                                         |
| <b>Lockup Period</b>      | None                   | <b>Legal Advisors (US)</b>     | Schulte Roth & Zabel                                                         |
| <b>Subscriptions</b>      | Monthly                | <b>Legal Advisors (Cayman)</b> | Maples & Calder                                                              |
| <b>Gate</b>               | None                   | <b>Contact Details</b>         | Richard Lamplough<br>richard.lamplough@lancasterIM.co.uk<br>+44 20 7842 1049 |

\* Payable over multiple years – please see offering documents

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