



WS Lancaster Funds

(Formerly LF Odey Funds)

Annual Report and Financial Statements
for the year ended 31 December 2023



Please note that the distribution of WS Lancaster Absolute Return Fund, a sub-fund of WS Lancaster Funds, is restricted exclusively to qualified investors in accordance with art. 10 para. 3 of the Swiss Collective Investment Schemes Act.

AUTHORISED CORPORATE DIRECTOR ('ACD')

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(Authorised and regulated by
the Financial Conduct Authority)

DIRECTORS OF THE ACD

A.M. Berry
V. Karalekas (appointed 14 July 2023)
T.K. Madigan*
K.J. Midl (appointed 9 October 2023)
E.E. Tracey (appointed 9 October 2023)*
R.E. Wheeler
S.P. White*

INVESTMENT MANAGER

LANCASTER INVESTMENT MANAGEMENT LLP

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DEPOSITARY

BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

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and regulated by the Financial Conduct Authority
and Prudential Regulation Authority)

REGISTRAR

LINK FUND ADMINISTRATORS LIMITED

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INDEPENDENT AUDITOR

ERNST & YOUNG LLP

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* Non-Executive Directors of the ACD.

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ACD'S REPORT

for the year ended 31 December 2023

Authorised Status

WS Lancaster Funds ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000742 and authorised by the Financial Conduct Authority ('FCA') with effect from 7 May 2009. The Company has an unlimited duration.

It is a UK UCITS and the base currency of the Company and the sub-fund, WS Lancaster Absolute Return Fund, is pounds sterling.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on the purchase of shares.

ACD's Statement

Economic Uncertainty

Whilst the outbreak of COVID-19 in March 2020 now seems a distant memory, Russia's incursion into Ukraine in February 2022 remains an unresolved conflict, that has led to inflationary pressures globally. Add to this the Israeli-Hamas conflict, that commenced in October 2023, and we are faced with consequences in both the domestic and global economy. Significant increases in the prices of energy and commodities have reverberated around the world, leading to many countries seeing inflation rates at levels not seen for many years. To curb the increase in inflation, many nations' central banks have, over recent times, been progressively increasing interest rates. One might suggest we are now close to the peak of interest rates as inflation, in most economies, is heading in a downward trajectory. What is not clear at this time is whether the consequences of these events will culminate in local, or even a global, recession or whether a 'soft-landing' is attainable.

Important Information

With effect from 31 March 2023, the Depositary of the Company changed to the Bank of New York Mellon (International) Limited; registered head office is at 160 Queen Victoria Street, London EC4V 4LA.

With effect from 12 June 2023, Link Fund Solutions Limited, as ACD, suspended dealing in the LF Brook Absolute Return Fund. Dealing suspension was lifted 21 July 2023.

With effect from 15 September 2023, the following changes occurred:

- The Investment Manager of the sub-fund changed to Lancaster Investment Management LLP;
- The Company name changed to LF Lancaster Funds; and
- The sub-fund name changed to LF Lancaster Absolute Return Fund.

ACD'S REPORT continued

Important Information continued

With effect from 9 October 2023, the following changes occurred:

- The ACD of the Company changed from Link Fund Solutions Limited ('LFSL') to Waystone Management (UK) Limited ('WMUK');
- In addition to the sub-fund name change with 'WS' replacing 'LF' the Company name changed to WS Lancaster Funds;
- The head office and registered office of the Company changed to 2nd floor, 20-22 Bedford Row, Holborn, London WC1R 4EB; and
- The website for the publication of prices and obtaining documents of the Company changed to www.waystone.com.

Remuneration Disclosure

On 9 October 2023 the ACD of the Company changed. These report and accounts are being produced by the Company's current ACD and the disclosures below relate to the most recent period for which audited information in respect of the current ACD is available, being the year ended 31 December 2022.

Investors' attention is drawn to the following:

1. The remuneration arising in respect of the accounting period for which these report and accounts are being prepared related to the Company's previous ACD. We understand that the previous ACD discloses information in respect of that remuneration on its website.
2. The change of ACD was part of a wider corporate transaction whereby substantially all the previous ACD's funds were transferred to the current ACD. As a result circa £83 billion of funds under management were transferred to the current ACD. The effects of this transaction in terms of remuneration will be reported to investors in due course once more recent audited accounts for the current ACD are available.

REMUNERATION

The ACD is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the Directive.

The fixed remuneration paid by the ACD to its staff in respect of all funds that it manages in the year ended 31 December 2022 was £823,929 and was shared amongst 12 members of staff (31.12.21: £751,344; 12 members of staff). The fixed remuneration paid by the ACD to the Remuneration Code Staff for the year ended 31 December 2022 was £292,500, shared amongst 3 employees. All 12 ACD staff members were fully or partially involved in the activities of the Company. The ACD did not pay any variable remuneration. The ACD staff remuneration is established with reference to the market remuneration of each equivalent position and is not linked to the performance of the Company or any other alternative investment fund the ACD is the AIFM of. None of the ACD's staff actions had a material impact on the risk profile of the Company.

ACD'S REPORT continued

Securities Financing Transactions

The Company has the ability to utilise Securities Financing Transactions (being transactions such as lending or borrowing of securities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, or margin lending transactions). No such transactions have been undertaken in the period covered by this report.

Task Force on Climate-related Financial Disclosures ('TCFD')

In accordance with current Financial Conduct Authority rules, the ACD is required to publish its own TCFD report and that of each fund. The report can be found at TCFD Reporting (fundsolutions.net/tcfd-reporting) and the report of the sub-fund of the Company can be found at <https://www.fundsolutions.net/uk/lancaster-investment-manager/ws-lancaster-funds/tcfd-reporting/>.

Prior to accessing the report of the sub-fund of the Company there is a link to the 'TCFD Reporting Guide' which provides an explanation of the TCFD report.

Value Assessment

In accordance with current Financial Conduct Authority rules, the ACD is required to carry out an annual assessment on whether the Company provides value to investors. The outcome of the latest assessment is available on the ACD's website.

WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Lancaster Funds

25 April 2024

DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

K.J. MIDL

WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Lancaster Funds

25 April 2024

STATEMENT OF ACD'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook published by the Financial Conduct Authority ('the COLL Sourcebook') requires the ACD to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Company, comprising its sub-fund, and of the net revenue/expense and net capital gains/losses on the property of the Company's sub-fund for the year.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Company or its sub-fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Sourcebook.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the ACD, which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

REPORT OF THE DEPOSITARY

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

Depositary of WS Lancaster Funds

25 April 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WS LANCASTER FUNDS

Opinion

We have audited the financial statements of WS Lancaster Funds ('the Company') comprising its sub-fund for the year ended 31 December 2023, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising its sub-fund as at 31 December 2023 and of the net revenue and the net capital losses on the scheme property of the Company comprising its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ('the ACD') use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WS LANCASTER FUNDS continued

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the 'FCA')

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the FCA requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WS LANCASTER FUNDS continued

Responsibilities of the ACD

As explained more fully in the ACD's responsibilities statement set out on page 7, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to wind up or terminate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to What Extent the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrators and a review of the Company's documented policies and procedures.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WS LANCASTER FUNDS continued

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution, and the incorrect valuation of unlisted investments. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return. In relation to unlisted investments, we reviewed and challenged management's assessment of the data inputs and assumptions used. We agreed the data inputs to available data sources; and recalculated for arithmetical accuracy.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities which included the use of specialists where appropriate to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the Company's Shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

ERNST & YOUNG LLP

Statutory Auditor
Edinburgh
25 April 2024

WS LANCASTER ABSOLUTE RETURN FUND ACD'S REPORT

for the year ended 31 December 2023

Important Information

Refer to the 'Important Information' for the Company on pages 3 and 4.

Investment Objective and Policy

The investment objective of the WS Lancaster Absolute Return Fund ('the Fund') is to achieve a positive absolute return over a 12 month period independent of market conditions. Capital is at risk and there is no guarantee that a positive return will be delivered over any one or a number of 12 month periods.

The Fund will seek to achieve its investment objective by investing in or taking exposures (using both long and synthetic short positions) to a range of asset classes worldwide. The Fund may therefore invest in any, or all, of the following: equities and equity related securities (including OTC derivatives), fixed and/or floating rate debt securities issued by governments and/or corporate entities, closed ended funds, collective investment schemes, derivatives, forward foreign exchange contracts, currencies and cash and cash equivalents.

The proportion of the property of the Fund which may be held in the asset classes set out above, including cash or near cash, will vary from time to time according to the Investment Manager's view of market conditions.

The Fund may also invest up to 10% of its net asset value to gain commodity exposure through transferable securities such as exchange traded commodities and other permitted investments.

Benchmark

The Fund's comparator benchmark is the MSCI Daily Net Total Return World USD (converted into GBP) Index.

The Fund's performance may be compared against the MSCI Daily Net Total Return World USD (converted into GBP) Index. The ACD believes that this is an appropriate comparator for the Fund given the investment objective and policy of the Fund. The comparator benchmark has been selected as we consider it assists in evaluating the Fund's performance against Global equity returns. The Fund is not constrained by the benchmark and may take positions that differ significantly from the benchmark.

WAYSTONE MANAGEMENT (UK) LIMITED

ACD of WS Lancaster Absolute Return Fund
25 April 2024

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

INVESTMENT MANAGER'S REPORT

for the year ended 31 December 2023

2023 Performance:

It was a disappointing year in which the Fund lost 7.8%. Good returns were made on the long book which were more than offset by the short book. The Fund experienced exceptional disruption in the middle of the year owing to extreme uncertainty around key service providers to Odey Asset Management. This necessitated a nearly 80% reduction in gross exposure and, ultimately, a transfer of the Investment Management Agreement (and the investment team) to Lancaster Investment Management LLP. It is difficult to be precise, but we estimate that this forced de-grossing during June and July cost the Fund about 8% in total: c.5% came from the actual de-grossing and c.3% came in the fourth quarter as several of the less liquid names that we sold in July performed very strongly, including Restaurant Group and Shanta Gold which received cash offers. The 7.8% loss is still a loss, but it is important for us when assessing the year to discern what was 'normal' underperformance and what was a one-off exceptional. As large investors in the Fund ourselves, we certainly felt the pain. As more time has passed since ours and the Fund's move to Lancaster our conviction on the latter being the right home has only increased.

Material Changes in Portfolio Composition:

Gross and net equity exposure decreased in 2023 with a sharp reduction in July because of forced de-grossing. The Fund began to re-build gross exposure in August but as at December 2023 this, by design, remains lower at 189% than the H1 2023 average (214%). Similarly, the Fund's accounting net at 33% at year end is significantly lower than the H1 2023 average (75%) due to increased caution over the pricing of large parts of the equity market. The core of the high conviction long book has remained broadly similar, with 7 out of 10 of the top ten equity positions in December 2022 remaining in the top 10 as at December 2023. The largest change to the short book composition is an increase in exposure to Private Equity.

Current Positioning:

Given our high conviction level on both the long and short book we are currently broadly market neutral and do not have any index future shorts (which is normally default). The Fund has an overweight to Europe and an underweight to the US. We continue to be hedged on our dollar positions. The long book continues to be cheaper than the market and is de-equitising at an unusual rate with our short book being materially more expensive. It is compelling that we do not feel this valuation discrepancy is representative of the relative prospects.

WS LANCASTER ABSOLUTE RETURN FUND
ACD’S REPORT continued
INVESTMENT MANAGER’S REPORT continued

WS LANCASTER ABSOLUTE RETURN FUND | LONG & SHORT BOOK VALUATION MULTIPLES

	Forward P/E	Forward EV/EBIT	Forward EV/Sales
WS Lancaster AR Long Book	10.0	7.7	0.9
WS Lancaster AR Short Book	19.7	19.8	5.5
MSCI World Index	17.6	14.9	2.4

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

Write Up of Selected Positions:

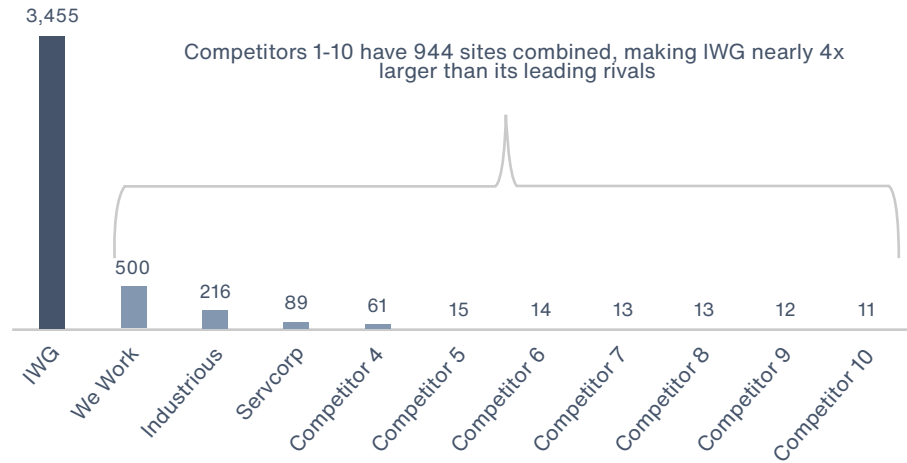
LONG BOOK

We were pleased with how our long book performed in the year despite the hit we took from having to de-gross in the summer. The MSCI Daily Net Total Return World USD (converted into GBP) Index also had a good year, delivering +16.8% in sterling, though with an extraordinary 41% of the return being driven by the Magnificent Seven. Without these stocks the same index would have returned 11.6% in sterling terms.

IWG ended up contributing positively for the year. This was no surprise after the December capital markets day ('CMD') 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. 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 rerate the business.

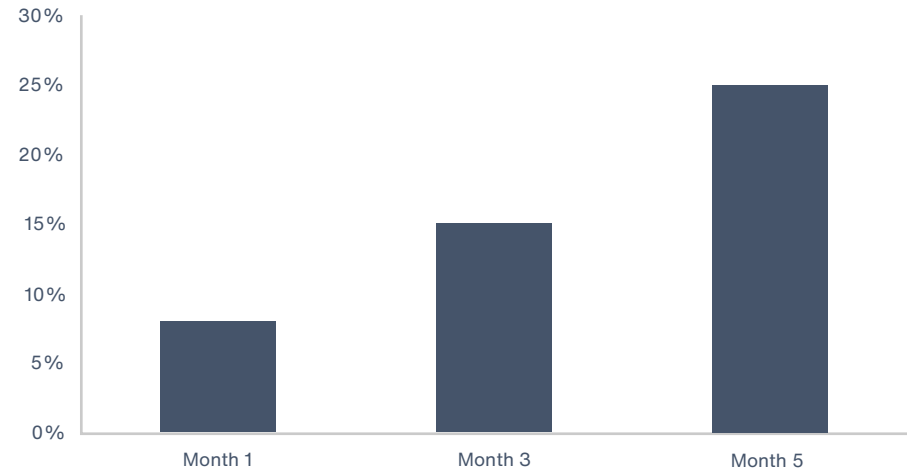
WS LANCASTER ABSOLUTE RETURN FUND
ACD’S REPORT continued
INVESTMENT MANAGER’S REPORT continued

IWG’S DOMINANT INDUSTRY POSITION



Source: Lancaster IM.

ENCOURAGING SIGNS OF CROSS FASCIA SPEND: 25% OF CUSTOMERS SHOPPING CROSS FASCIA WITHIN 5 MONTHS OF ONBOARDING ON FRASERS PLUS



Source: Frasers Group.

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

INVESTMENT MANAGER'S REPORT continued

Frasers Group was a contributor for the Fund for the year 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 added in Q4 is **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

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

INVESTMENT MANAGER'S REPORT continued

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 Atlasedge, 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.

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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.

LIBERTY GLOBAL SHARE PRICE VS QUARTERLY DILUTED WEIGHTED AVERAGE SHARE COUNT –
1-JAN-19 TO 1-JAN-24



Source: Bloomberg.

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On the topic of buybacks at present in the equity long book over 53% of our exposure has been 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 88%. 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 10x for 2024.

One of our poor contributors in the year was **Ubisoft Entertainment**. There was some technical selling in Q4 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 Q4 we sold one of our smaller Russian positions, **TCS**, in an off-exchange transaction which contributed circa 2.2%. 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 15% 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.

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One of the push backs we get with our overweight exposure to Europe is ‘we can see that companies are cheaper, but you get better growth in the US’. Whilst we accept this growth point in general it certainly does not mean there are not high quality growth businesses in Europe on low valuations. The table below shows our top five non-US holdings and how their growth rates and valuations compare to the US market.

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.

Short Book

Our short book had a poor year. Since inception we have generated more alpha on our short book per annum than our long book, but this was a very disappointing year for the shorts which rallied hard as the goldilocks macro scenario emerged in Q4-23.

Our short in **Ark Innovation** was painful for the Fund as it rallied over 30% in Q4 driven by falling rates.

Our private equity shorts like **Partners Group**, **EQT** and **Blackstone** rallied harder than the market as falling rates gave the market hope that 2024 can be a year of good exits. Our private credit focused shorts like **Apollo** and the Business Development Corporations (‘BDCs’) rallied less than the market as a falling yield curve reduced expectations of these instruments’ future returns. We think the market is looking at these assets in completely the wrong way. We believe that BDCs and private credit need falling short-term rates to give the underlying borrowers some breathing room – yet the market simply looks at the first level order impact. Until central banks rates do fall though spot funding remains very elevated and we are seeing a transfer of value in most leveraged private companies from the equity to the floating debt. Equally whilst lower rates are clearly helpful for private equity companies looking to exit an equity investment, we believe the market is underestimating the impact of excess supply and how falling rates might also be reflective of a weakening economy. The IPO pipeline is currently stacking up at the investment banks like planes at Heathrow. The first half of 2024 is going to be important for the private equity industry in two regards: firstly it needs to deliver sharply priced exits at an almost unprecedented cadence and secondly it sees the start of a wall of refinancing for their underlying companies. We believe the asymmetry of how the market is pricing

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this important phase for the private equity industry offers good risk/return on the short side. Most of the listed private equity companies where we have short positions are trading at close to record multiples of management fees and the BDCs are trading near book value implying a continuation of the current ultra-low default paradigm.

EV / FEE RELATED EARNINGS MULTIPLES AT OR ABOVE PEAK LEVELS



Source: Exane.

It was a case of when it rains it pours for us on our short book in Q4-23. Two of our shorts in the sporting goods space, **Lululemon** and **Deckers**, both re-rated significantly after rallying more than 30%.

Whilst Lululemon has been an unbelievable success story we believe that post the COVID windfall growth will become much harder. It looks to us that the company is becoming a hostage to the promised sales growth required to meet its plan and go some way towards justifying the market multiple. The company for example never used to wholesale as a principle of controlling stock and the experience of the brand. Wholesale and franchising are now seen as important growth drivers.

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One of Lululemon's real strengths was its clarity about what the brand represented and to whom. It is now diversifying its offering to become more mainstream (e.g. men's polo shirts, swimwear and puffer jackets) which makes it much more vulnerable to competition and harder to justify its 'niche' multiple. The departed founder Chip Wilson agrees with this view:

"They're trying to become like the Gap, everything to everybody. And I think the definition of a brand is that you're not everything to everybody...If you look at about 30% of their men's stuff, to me, it's appalling. They're making even dress shirts that have no style to them, but they're just making a dress shirt to put it in there. I'm sure they get the fabric for \$2 a meter and they make it. It's in the Lululemon store so people are buying it because they think it's technical. They're buying it and wearing it, but it's not... What's happening is the margin on it is so huge that the merchandisers and everyone's getting a bonus on the profit and the margins of a bad streetwear fashion product, which is only selling at a high price because of the Lululemon technical product. It ends up being what I call bad profits. Bad profits in a company like that lead to the Gap and eventually you can see Lululemon is making more and more streetwear and less and less technical wear."
Chip Wilson (Jan 2024 Forbes)

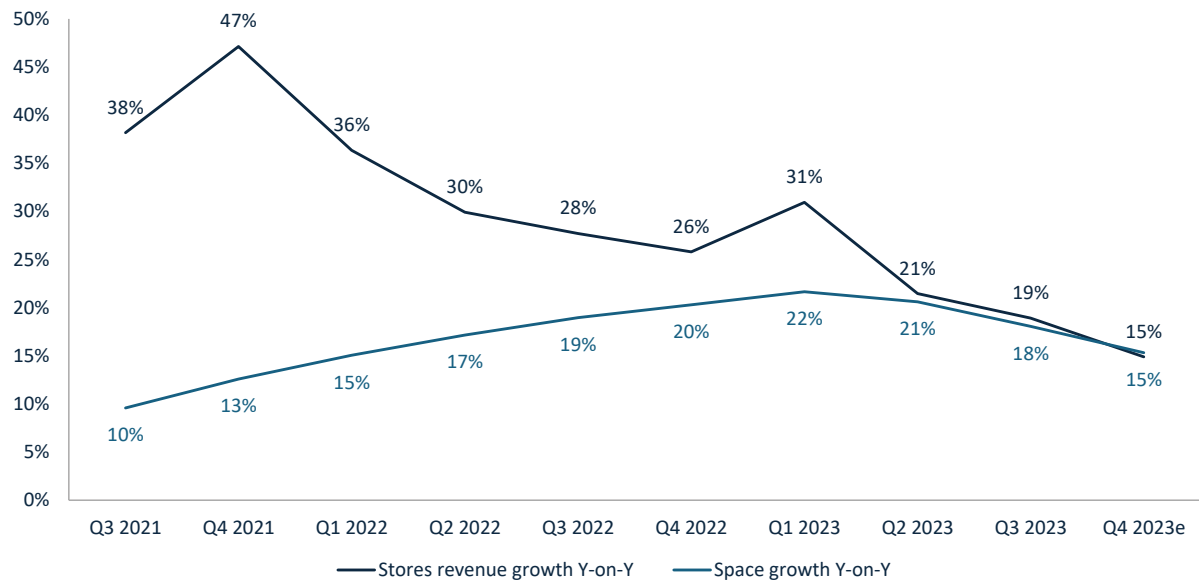
We are also concerned at the degree to which Lululemon's stores business is becoming reliant on space growth to grow its revenue. This points towards declining returns on invested capital, particularly as the company is set to open more stores. One of the best characteristics of a good short is falling returns when its starting valuation is high.

At a time when industry growth is already slowing (see Exhibit 20) competition is heating up. Nike made it clear on their last earnings call that it now has a particular focus on women's fitness apparel, and smaller competitor brands like Vuori and Skims are seemingly looking to IPO this year, presumably to raise capital in an attempt to grow their share of the category.

Currently Lululemon is delivering an industry-high EBIT margin of 23% and trades on a Jan 2024 EV/EBIT multiple of 28x and a P/E multiple of 40x. It is always interesting having a sense check on absolute value in these kinds of situations. Lululemon's enterprise value at the close of 2023 was c. \$63bn and Exhibit 19 shows how many other branded companies you could own for less money.

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INVESTMENT MANAGER’S REPORT continued

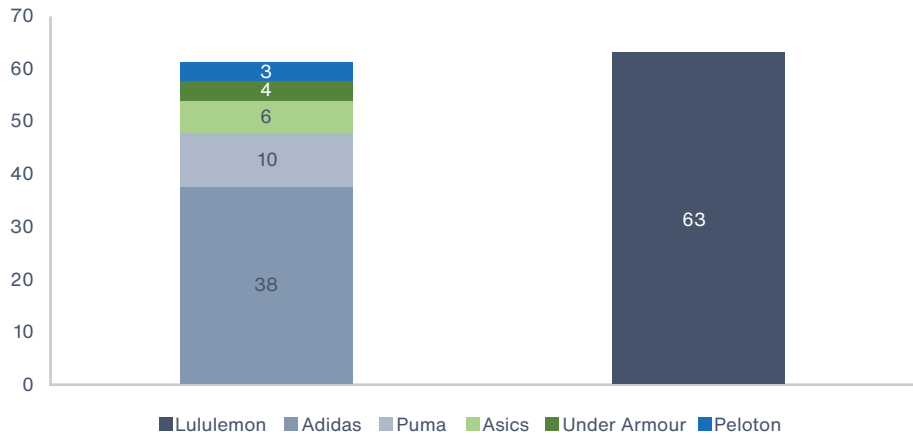
LULULEMON GLOBAL STORES REVENUE VS. SPACE GROWTH YOY



Source: Company reporting, Lancaster IM.

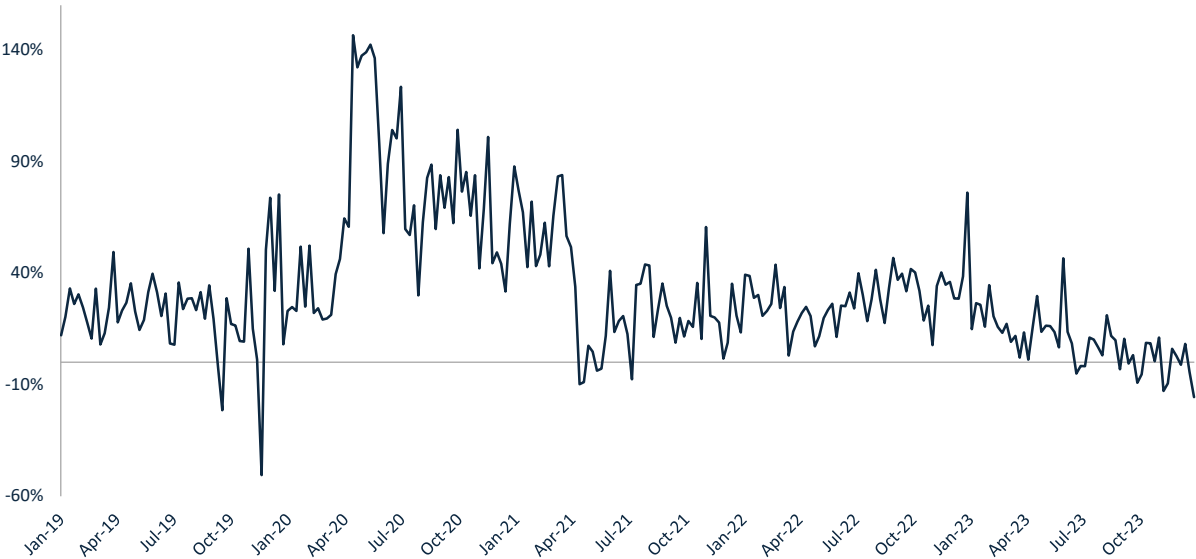
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ACD’S REPORT continued
INVESTMENT MANAGER’S REPORT continued

RELATIVE VALUATIONS OF SELECT GLOBAL SPORTSWEAR AND EQUIPMENT SUPPLIERS
(ENTERPRISE VALUE IN \$BN)



Source: Bloomberg.

EXHIBIT 20: ESTIMATED Y-ON-Y SPENDING GROWTH IN US SPORTING FOOTWEAR & APPAREL



Source: MScience US digital spend data.

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Deckers and On Running also admirably made the most of the COVID boost to running. Hoka has been the key growth brand for Deckers and in particular its Clifton and Bondi shoes. What has been particularly striking about the running space is the share loss by the larger brands to On Running, Brooks and Hoka. Whilst it is difficult in this industry to sustain a true technology advantage, the shares of Deckers and On Running seem to us priced as if their slice of the pie is only going up and that the category will continue to grow at the same rates as the past few years. What has become noticeable in the past few months however is the increasing appetite of the larger brands to fight back. Nike, whose roots are in running shoes, see it as imperative to regain share. It is potentially putting a third of its freshly announced \$2bn savings back into driving growth in the running category and are looking to use this summer's Olympics as a platform for product launches and marketing activity. When we go through the recent commentary of the 'other' top brands in running (Asics, Puma, Adidas, Nike and Under Armour) without exception they are all investing in and targeting to win back share in the category, and we also hear within the industry that New Balance and Salomon have equal ambitions. The short case is not about demand (despite the possible demand pull-forward over the past couple of years) but we can see there being a significant increase in competitive tension in 2024 as the space becomes a battleground. With Deckers and On Running trading on consensus calendar 2023 P/E multiples of 28x and 47x respectively we feel the setup for the short is very attractive.

JAMES HANBURY AND JAMIE GRIMSTON LANCASTER INVESTMENT MANAGEMENT LLP

Investment Manager

17 January 2024

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ACD'S REPORT continued
FUND INFORMATION

Risk and Reward Profile



During the year the indicator for the Class Sterling Retail Accumulation Shares, Class Sterling Institutional Accumulation Shares, Class EUR Hedged Institutional Accumulation Shares and Class US Dollar Hedged Institutional Accumulation Shares changed from 7 to 6 because their volatility has been measured as above average to high.



Class Sterling Management Accumulation Shares have been classed as 7 because its volatility has been measured as high.

This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time. Investors may not get back the amount originally invested and may lose money. There is no assurance that the objective of the Fund will be achieved.

Sterling Share Classes Currency Risk: As the Fund invests in overseas securities movements in exchange rates, when not hedged, may cause the value of your investment to increase or decrease.

Euro Share Class Currency Risk: The Fund invests in global assets and is subject to currency movements. This euro class is also hedged against sterling, the Fund's base currency. Mismatches in hedging may occur. Either may impact on the value of your investment.

US Dollar Share Class Currency Risk: The Fund invests in global assets and is subject to currency movements. This US\$ class is also hedged against sterling, the Fund's base currency. Mismatches in hedging may occur. Either may impact on the value of your investment.

Counterparty and Derivatives Risks: As the Fund may enter into derivative agreements, there is a risk that other parties may fail to meet their obligations leading to delays in receiving amounts due or less than is due. The use of derivatives may cause the Fund's exposure to be greater than its net asset value. A small movement may have a much larger impact than if only the underlying investments were held.

The value of fixed interest securities is affected by trends in interest rates, inflation and their credit ratings.

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

FUND INFORMATION continued

Risk and Reward Profile continued

Liquidity Risk: At times, some shares may trade infrequently which means it may be more difficult for the Fund to buy and sell them. Prices may also be subject to short term swings.

Concentrated Fund: 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.

For more information about the Fund's risks, please see the Risk Factors section of the Prospectus which is available at www.waystone.com.

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

FUND INFORMATION continued

Comparative Tables

STERLING RETAIL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	477.50	438.87	394.70
Return before operating charges*	(27.82)	56.50	60.24
Operating charges	(6.48)	(6.73)	(6.60)
Performance fee	–	(11.14)	(9.47)
Return after operating charges	(34.30)	38.63	44.17
Distributions	(8.59)	–	–
Retained distributions on accumulation shares	8.59	–	–
Closing net asset value per share	443.20	477.50	438.87
* after direct transaction costs of:	0.86	0.83	0.43

PERFORMANCE

Return after charges	(7.18)%	8.80%	11.19%
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OTHER INFORMATION

Closing net asset value (£'000)	7,333	12,502	13,598
Closing number of shares	1,654,517	2,618,191	3,098,391
Operating charges	1.40% ¹	1.54%	1.56%
Performance fee ²	–	2.55%	2.24%
Direct transaction costs	0.19%	0.19%	0.10%

PRICES

Highest share price	518.31	495.95	472.30
Lowest share price	420.55	381.31	336.69

¹ The Fund was suspended from 12 June 2023 to 20 July 2023 and no ACD fee was applicable for that period.

² The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

FUND INFORMATION continued

Comparative Tables continued

STERLING INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	508.05	464.31	415.12
Return before operating charges*	(29.24)	60.80	64.18
Operating charges	(4.69)	(4.82)	(4.73)
Performance fee	–	(12.24)	(10.26)
Return after operating charges	(33.93)	43.74	49.19
Distributions	(11.37)	–	–
Retained distributions on accumulation shares	11.37	–	–
Closing net asset value per share	474.12	508.05	464.31
* after direct transaction costs of:	0.92	0.88	0.46

PERFORMANCE

Return after charges	(6.68)%	9.42%	11.85%
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OTHER INFORMATION

Closing net asset value (£'000)	258,225	435,687	387,887
Closing number of shares	54,463,991	85,757,439	83,539,585
Operating charges	0.95% ¹	1.04%	1.06%
Performance fee ²	–	2.64%	2.30%
Direct transaction costs	0.19%	0.19%	0.10%

PRICES

Highest share price	552.15	525.03	498.13
Lowest share price	449.96	403.70	354.27

¹ The Fund was suspended from 12 June 2023 to 20 July 2023 and no ACD fee was applicable for that period.

² The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

WS LANCASTER ABSOLUTE RETURN FUND

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FUND INFORMATION continued

Comparative Tables continued

STERLING MANAGEMENT ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 pence per share	31.12.22 pence per share	31.12.21 pence per share
Opening net asset value per share	560.27	501.23	440.48
Return before operating charges*	(33.37)	64.27	65.84
Operating charges	(5.19)	(5.23)	(5.09)
Return after operating charges	(38.56)	59.04	60.75
Distributions	(12.55)	(5.26)	(3.60)
Retained distributions on accumulation shares	12.55	5.26	3.60
Closing net asset value per share	521.71	560.27	501.23
* after direct transaction costs of:	1.01	0.96	0.49

PERFORMANCE

Return after charges	(6.88)%	11.78%	13.79%
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OTHER INFORMATION

Closing net asset value (£'000)	35,075	39,325	35,709
Closing number of shares	6,723,159	7,018,970	7,124,192
Operating charges	0.95% ¹	1.04%	1.06%
Direct transaction costs	0.19%	0.19%	0.10%

PRICES

Highest share price	620.24	584.80	550.45
Lowest share price	495.24	434.89	375.84

¹ The Fund was suspended from 12 June 2023 to 20 July 2023 and no ACD fee was applicable for that period.

WS LANCASTER ABSOLUTE RETURN FUND

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FUND INFORMATION continued

Comparative Tables continued

EURO HEDGED INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 € per share	31.12.22 € per share	31.12.21 € per share
Opening net asset value per share	2.8073	2.6066	2.2958
Return before operating charges*	(0.2076)	0.2894	0.4099
Operating charges	(0.0257)	(0.0269)	(0.0259)
Performance fee	–	(0.0618)	(0.0732)
Return after operating charges	(0.2333)	0.2007	0.3108
Distributions	(0.0625)	–	–
Retained distributions on accumulation shares	0.0625	–	–
Closing net asset value per share	2.5740	2.8073	2.6066
* after direct transaction costs of:	0.5000	0.4900	0.0026

PERFORMANCE

Return after charges	(8.31)%	7.70%	13.54%
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OTHER INFORMATION

Closing net asset value (£'000)	62,508	78,254	76,091
Closing number of shares	28,026,127	31,418,052	34,768,470
Operating charges	0.95% ¹	1.04%	1.04%
Performance fee ²	–	2.39%	2.94%
Direct transaction costs	0.19%	0.19%	0.10%

PRICES

Highest share price	3.0430	2.9444	2.7180
Lowest share price	2.4449	2.2635	1.9588

¹ The Fund was suspended from 12 June 2023 to 20 July 2023 and no ACD fee was applicable for that period.

² The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

FUND INFORMATION continued

Comparative Tables continued

US DOLLAR HEDGED INSTITUTIONAL ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	31.12.23 US\$ per share	31.12.22 US\$ per share	31.12.21 US\$ per share
Opening net asset value per share	2.8192	2.5640	2.2894
Return before operating charges*	(0.1459)	0.3568	0.3549
Operating charges	(0.0267)	(0.0267)	(0.0261)
Performance fee	–	(0.0749)	(0.0542)
Return after operating charges	(0.1726)	0.2552	0.2746
Distributions	(0.0697)	–	–
Retained distributions on accumulation shares	0.0697	–	–
Closing net asset value per share	2.6466	2.8192	2.5640
* after direct transaction costs of:	0.5100	0.4900	0.0025

PERFORMANCE

Return after charges	(6.12)%	9.95%	11.99%
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OTHER INFORMATION

Closing net asset value (£'000)	3,467	14,705	11,500
Closing number of shares	1,669,682	6,273,945	6,074,709
Operating charges	0.97% ¹	1.04%	1.06%
Performance fee ²	–	2.92%	2.20%
Direct transaction costs	0.19%	0.19%	0.10%

PRICES

Highest share price	3.0690	2.8960	2.7546
Lowest share price	2.5074	2.2369	1.9546

¹ The Fund was suspended from 12 June 2023 to 20 July 2023 and no ACD fee was applicable for that period.

² The ACD is entitled, at its discretion, to charge, which will be paid by way of further remuneration to the Investment Manager, a performance fee out of the Scheme Property equal to 20% of the amount by which the performance of the Gross Asset Value per share over a Calculation Period exceeds the Base Asset Value per share rate.

WS LANCASTER ABSOLUTE RETURN FUND
ACD’S REPORT continued
FUND INFORMATION continued

Fund Performance to 31 December 2023 (%)

	1 year	3 years	5 years
WS Lancaster Absolute Return Fund	(7.81)	12.19	60.91
MSCI Daily Net Total Return World USD (converted into GBP) Index ¹	16.81	32.36	82.48

¹ Source: Morningstar Direct.

The performance of the Fund is based on the published price per Sterling Institutional Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the ‘Return after charges’ disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 67 and 68.

RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

WS LANCASTER ABSOLUTE RETURN FUND
ACD'S REPORT continued
PORTFOLIO STATEMENT
as at 31 December 2023

Holding	Portfolio of Investments	Market Value £'000	31.12.23 %
	DEBT SECURITIES – 2.95% (31.12.22 – 7.46%)		
£19,500,000	Cornwall Jersey 0.75% 16/4/2026	10,831	2.95
	TOTAL DEBT SECURITIES	10,831	2.95
	EQUITIES – 59.98% (31.12.22 – 82.90%)		
	UNITED KINGDOM – 45.12% (31.12.22 – 46.36%)		
13,627,033	AO World	13,368	3.65
1,106,756	Bango ¹	2,214	0.60
4,760,000	Barclays	7,320	2.00
2,440,089	BP	11,374	3.10
3,227,000	Frasers	29,382	8.01
1,030,000	Glencore	4,863	1.33
1	Hirco ²	–	–
18,455,000	IWG	34,843	9.50
2,123,000	Jet2 ¹	26,516	7.23
2,517,000	MAN	5,852	1.60
2,350,000	Mobico	1,988	0.54
2,300,000	Oxford Nanopore Technologies	4,789	1.31
459,000	Shell	11,794	3.22
390,000	Vanquis Banking	504	0.14
863,000	Vistry	7,918	2.16
330,000	Wetherspoon (JD)	2,670	0.73
	TOTAL UNITED KINGDOM	165,395	45.12
	AUSTRALIA – 0.00% (31.12.22 – 0.33%)	–	–
	BERMUDA – 2.88% (31.12.22 – 3.66%)		
2,250,000	Conduit	10,541	2.88
	CHINA – 0.00% (31.12.22 – 3.61%)	–	–

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Market Value £'000	31.12.23 %
	FRANCE – 3.79% (31.12.22 – 9.01%)		
430,000	Ubisoft Entertainment	8,607	2.35
630,000	Vivendi	5,282	1.44
	TOTAL FRANCE	13,889	3.79
	GERMANY – 1.33% (31.12.22 – 4.80%)		
348,092	Commerzbank	3,239	0.89
152,000	Deutsche Bank	1,624	0.44
	TOTAL GERMANY	4,863	1.33
	GIBRALTAR – 0.00% (31.12.22 – 0.54%)	–	–
	IRELAND – 1.51% (31.12.22 – 1.23%)		
53,000	Ryanair ADR	5,545	1.51
	ISRAEL – 3.99% (31.12.22 – 8.56%)		
880,025	Plus500	14,635	3.99
	ITALY – 0.00% (31.12.22 – 0.48%)	–	–
	LUXEMBOURG – 1.36% (31.12.22 – 0.00%)		
224,000	ArcelorMittal	4,982	1.36
	RUSSIA – 0.00% (31.12.22 – 0.00%)		
470,000,000	Inter RAO ^{2,3}	–	–
22,115,000	RUSAL ^{2,3}	–	–
12,900,000	Sberbank of Russia ADR ²	–	–
	TOTAL RUSSIA	–	–

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.23 %
	UNITED STATES – 0.00 % (31.12.22 – 4.32 %)			
1,525	Jumo World ³		–	–
	TOTAL EQUITIES		219,850	59.98
	CONTRACTS FOR DIFFERENCE (LONG) – 1.21 % (31.12.22 – (0.21) %)			
	UNITED KINGDOM – 0.54 % (31.12.22 – (0.64) %)			
1,520,172	AO World	1,491	73	0.02
1,530,000	Barclays	2,353	104	0.03
381,269	BP	1,777	28	0.01
2,057,000	Breedon	7,436	108	0.03
5,729,000	BT Group	7,067	(110)	(0.03)
1,636,040	Foeterra	2,876	145	0.04
1,415,208	Glencore	6,681	145	0.04
1,875,111	IBS Stock	2,841	82	0.02
62,000	Jet2	774	(22)	(0.01)
1,802,813	MAN	4,192	71	0.02
6,148,994	National Express	5,202	725	0.20
5,880,000	NatWest Group	12,895	(140)	(0.04)
105,213	Next	8,541	(56)	(0.02)
2,525,000	Oxford Nanopore Technologies	5,257	411	0.11
1,194,000	Page	5,815	(22)	(0.01)
1,160,000	Provident Financial	1,499	127	0.04
86,143	Shell	2,213	53	0.02
6,160,000	SIG	2,054	30	0.01
315,000	SThree	1,317	–	–
327,000	Vistry	3,000	195	0.05
180,000	Wetherspoon (JD)	1,456	44	0.01
	TOTAL UNITED KINGDOM	86,737	1,991	0.54

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.23 %
	BERMUDA – 0.01% (31.12.22 – 0.05%)			
186,971	Conduit	876	26	0.01
	BRAZIL – 0.00% (31.12.22 – 0.15%)	–	–	–
	FRANCE – (0.10)% (31.12.22 – 0.07%)			
580,000	Ubisoft Entertainment	11,610	(402)	(0.11)
976,000	Vivendi	8,183	50	0.01
	TOTAL FRANCE	19,793	(352)	(0.10)
	GERMANY – 0.08% (31.12.22 – 0.00%)			
774,000	Commerzbank	7,203	193	0.05
557,000	Deutsche Bank	5,952	102	0.03
	TOTAL GERMANY	13,155	295	0.08
	IRELAND – 0.03% (31.12.22 – 0.00%)			
64,055	Ryanair ADR	6,701	126	0.03
	ISRAEL – 0.14% (31.12.22 – 0.00%)			
821,956	Plus500	13,669	490	0.14
	ITALY – 0.00% (31.12.22 – 0.03%)	–	–	–
	LUXEMBOURG – 0.07% (31.12.22 – (0.22)%)			
475,000	ArcelorMittal	10,564	273	0.07

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.23 %
	UNITED STATES – 0.44% (31.12.22 – 0.35%)			
885,000	Liberty Global 'A'	12,330	1,169	0.32
66,944	Liberty Global 'C'	979	94	0.03
182,622	Valaris	9,823	346	0.09
	TOTAL UNITED STATES	23,132	1,609	0.44
	TOTAL CONTRACTS FOR DIFFERENCE (LONG)	174,627	4,458	1.21
	CONTRACTS FOR DIFFERENCE (SHORT) – 0.18% (31.12.22 – 3.60%)			
	UNITED KINGDOM – (0.25)% (31.12.22 – 0.26%)			
(1,610,640)	IG	(12,329)	(429)	(0.12)
(500,000)	Intermediate Capital	(8,400)	(90)	(0.02)
(1,760,000)	Segro	(15,601)	(271)	(0.07)
(3,897,073)	Tritax Big Box REIT	(6,570)	(140)	(0.04)
	TOTAL UNITED KINGDOM	(42,900)	(930)	(0.25)
	CANADA – 0.00% (31.12.22 – 0.10%)	–	–	–
	FINLAND – 0.05% (31.12.22 – 0.00%)			
(297,082)	Neste OYJ	(8,310)	200	0.05
	ITALY – 0.00% (31.12.22 – 0.13%)			
(1,144,279)	Nexi Spa	(7,337)	94	0.03
(253,866)	Warehouse De pau	(6,265)	(97)	(0.03)
	TOTAL ITALY	(13,602)	(3)	–

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.23 %
	NORWAY – 0.05 % (31.12.22 – 0.08 %)			
(3,518,207)	Nel	(1,872)	168	0.05
	SPAIN – 0.00 % (31.12.22 – (0.02) %)	–	–	–
	SWEDEN – 0.01 % (31.12.22 – 0.37 %)			
(506,103)	Avanza Bank	(9,210)	206	0.06
(731,000)	EQT	(16,154)	(181)	(0.05)
	TOTAL SWEDEN	(25,364)	25	0.01
	SWITZERLAND – 0.00 % (31.12.22 – 0.27 %)			
(12,750)	Partners	(14,408)	(10)	–
	UNITED STATES – 0.32 % (31.12.22 – 2.41 %)			
(42,200)	Apollo Global Management	(3,084)	50	0.01
(342,000)	Ares Capital	(5,374)	(113)	(0.03)
(37,000)	Ares Management	(3,451)	(58)	(0.02)
(70,000)	Blackstone	(7,189)	(71)	(0.02)
(330,000)	Brookfield	(10,386)	(401)	(0.11)
(40,000)	Choice Hotels International	(3,553)	(79)	(0.02)
(28,300)	Deckers Outdoor	(14,839)	796	0.22
(565,000)	FS KKR Capital	(8,846)	(75)	(0.02)
(163,000)	GXO	(7,819)	37	0.01
(297,000)	Host Hotels & Resort	(4,538)	(68)	(0.02)
(127,000)	KKR	(8,253)	114	0.03
(148,275)	Lamar Advertising	(12,363)	159	0.04
(39,800)	Lulumelon Athletica	(15,962)	(586)	(0.16)
(24,200)	Marriot International	(4,281)	(74)	(0.02)
(171,000)	Mslaarkk	(15,744)	(397)	(0.11)

WS LANCASTER ABSOLUTE RETURN FUND

ACD'S REPORT continued

PORTFOLIO STATEMENT continued

as at 31 December 2023

Holding	Portfolio of Investments	Notional Value £'000	Market Value £'000	31.12.23 %
(227,000)	Oaktree Specialty	(3,636)	(41)	(0.01)
(640,850)	On Holding	(13,553)	2,003	0.54
(398,000)	Park Hotels & Resorts	(4,774)	345	0.09
(111,481)	Prologis	(11,658)	107	0.03
(478,454)	Rivian Automotive	(8,809)	(222)	(0.06)
(123,000)	XPO	(8,451)	(200)	(0.05)
	TOTAL UNITED STATES	(176,563)	1,226	0.32
	TOTAL CONTRACTS FOR DIFFERENCE (SHORT)	(283,019)	676	0.18
	FUTURES – 0.00% (31.12.22 – 0.21%)		–	–
	FORWARD CURRENCY CONTRACTS – 0.00% (31.12.22 – (0.17)%)		–	–
	SHARE CLASS HEDGING FORWARD CURRENCY CONTRACTS – 0.00% (31.12.22 – 0.17%)			
£(60,052,642)	Vs €69,243,339 (expiry 31/1/2024) ⁴		11	–
£(1,689,337)	Vs €1,940,036 (expiry 31/1/2024) ⁴		(6)	–
£(3,435,474)	Vs US\$4,352,917 (expiry 31/1/2024) ⁴		(22)	–
	TOTAL SHARE CLASS HEDGING FORWARD CURRENCY CONTRACTS		(17)	–

WS LANCASTER ABSOLUTE RETURN FUND
ACD'S REPORT continued
PORTFOLIO STATEMENT continued
as at 31 December 2023

Holding	Portfolio of Investments	Market Value £'000	31.12.23 %
	Portfolio of investments ⁵	235,798	64.32
	Net other assets	130,810	35.68
	Net assets	366,608	100.00

The investments have been valued in accordance with note 1(F) of the Accounting Policies and are ordinary shares listed on a regulated market unless stated otherwise.

¹ Quoted on the Alternative Investment Market (AIM).

² Delisted security.

³ Unlisted security.

⁴ Counterparty: BNY Mellon.

⁵ Includes investment liabilities.

Definition:

ADR – American Depositary Receipts.

WS LANCASTER ABSOLUTE RETURN FUND
ACD'S REPORT continued
SUMMARY OF MATERIAL PORTFOLIO CHANGES
for the year ended 31 December 2023

Total purchases for the year £'000 (note 16)	320,236	Total sales for the year £'000 (note 16)	596,897
	Cost		Proceeds
Major purchases	£'000	Major sales	£'000
Frasers	25,379	Frasers	49,523
Teck Resources 'B'	22,300	Jet2	48,401
Cornwall 0.75% 16/4/2026	16,448	Plus500	40,494
Tullow 7% 1/3/2025	16,156	Valaris	32,379
Plus500	15,447	IWG	25,655
Jet2	14,694	Alibaba	21,975
Ryanair ADR	12,762	Barclays	20,921
Lottomatica	12,464	Teck Resources 'B'	20,486
UBS	12,456	Deutsche Bank	20,179
IWG	12,058	Vivendi	19,755

In addition to the above, purchases totalling £410,985,000 and sales totalling £450,924,000 were made in short term investments during the year.

The summary of material portfolio changes represents the 10 largest purchases and sales during the year.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS
STATEMENT OF TOTAL RETURN
for the year ended 31 December 2023

	Notes	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Income:					
Net capital (losses)/gains	3		(51,909)		66,400
Revenue	4	23,570		19,498	
Expenses	5	(4,504)		(18,218)	
Interest payable and similar charges	7	<u>(7,433)</u>		<u>(7,893)</u>	
Net revenue/(expense) before taxation		11,633		(6,613)	
Taxation	6	<u>(422)</u>		<u>(636)</u>	
Net revenue/(expense) after taxation			11,211		(7,249)
Total return before distributions			(40,698)		59,151
Distributions	8		<u>(11,218)</u>		<u>(397)</u>
Change in net assets attributable to shareholders from investment activities			<u>(51,916)</u>		<u>58,754</u>

WS LANCASTER ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS continued

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 December 2023

	Note	£'000	31.12.23 £'000	£'000	31.12.22 £'000
Opening net assets attributable to shareholders			580,473		524,785
Amounts receivable on issue of shares		42,934		91,454	
Amounts payable on redemption of shares		<u>(214,072)</u>		<u>(94,889)</u>	
			(171,138)		(3,435)
Dilution levy	1(H)		402		-
Change in net assets attributable to shareholders from investment activities			(51,916)		58,754
Retained distributions on Accumulation shares			<u>8,787</u>		<u>369</u>
Closing net assets attributable to shareholders			<u>366,608</u>		<u>580,473</u>

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
BALANCE SHEET
as at 31 December 2023

	Notes	31.12.23 £'000	31.12.22 £'000
ASSETS			
Fixed assets			
Investments		240,181	553,855
Current assets			
Debtors	9	126,466	10,888
Cash and bank balances	10	16,530	39,252
Total assets		<u>383,177</u>	<u>603,995</u>
LIABILITIES			
Investment liabilities		(4,383)	(8,422)
Creditors			
Bank overdraft	10	(8,803)	–
Other creditors	11	(3,383)	(15,100)
Total liabilities		<u>(16,569)</u>	<u>(23,522)</u>
Net assets attributable to shareholders		<u>366,608</u>	<u>580,473</u>

WS LANCASTER ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS continued

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. Accounting Policies

The principal accounting policies, which have been applied in both the current and prior year, are set out below.

(A) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014, as amended.

These financial statements are prepared on a going concern basis. The ACD has made an assessment of the Fund's ability to continue as a going concern, and is satisfied it has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt on this assessment. This assessment is made as at the date of issue of these financial statements, covering the subsequent 12 months, and considers liquidity, declines in global capital markets, known redemption levels, expense projections and key service provider's operational resilience. The ACD also considered the Fund's continued ability to meet ongoing costs, and is satisfied it has the resources to meet these costs and to continue in business.

(B) RECOGNITION OF REVENUE

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Reportable income from funds with 'reporting fund' status for UK tax purposes is recognised when the information is made available by the reporting fund.

Revenue from unquoted equity investments is recognised when the dividend is declared.

Revenue on debt securities is accounted for on an effective yield basis.

Rebates of Annual Management Charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue or capital in line with the allocation of the Annual Management Charge between capital and revenue distribution policies of the underlying investments.

WS LANCASTER ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS continued

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

Relating to contracts for difference ('CFD'), manufactured dividends received on long positions and paid on short positions are recognised when the underlying security is quoted ex-dividend. CFD securities are traded on a margin basis, interest can be charged and received on both long and short positions. Interest is calculated daily by applying the applicable interest rates to the closing value of positions. Interest is earned on any margin held with the broker.

The treatment of the income on derivative contracts is dependent upon the nature of the transaction. To determine whether the returns should be treated as capital or revenue the motive and circumstances of the transaction are used. Where positions are undertaken to protect or enhance capital, the returns are recognised in net capital gains; similarly where positions are taken to generate or protect revenue, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

(C) TREATMENT OF EXPENSES

All expenses, except for those relating to the purchase and sale of investments, are charged against revenue.

(D) ALLOCATION OF REVENUE AND EXPENSES TO MULTIPLE SHARE CLASSES

Any revenue or expense not directly attributable to a particular share class will normally be allocated pro-rata to the net assets of the relevant share classes unless a different allocation method is deemed more appropriate by the ACD.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

(E) TAXATION

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Offshore income gains, from funds without reporting status, are liable to corporation tax at 20% and any resulting charge is deducted from capital.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable by way of double tax relief and where this is the case the offset is reflected in the tax charge.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2023

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

(F) BASIS OF VALUATION OF INVESTMENTS

All investments are valued at their fair value as at close of business on the last business day of the financial year.

Quoted investments are valued at fair value which generally is the bid price, excluding any accrued interest in the case of debt securities. Accrued interest on debt securities is included in revenue.

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds.

Open forward currency contracts are valued based on the difference between the contract value and the market value adjusted by the prevailing spot rate and swap curve.

Structured products for which a price can only be obtained from the issuer are valued at the fair value per the issuer and the value is confirmed by an independent price provider by reference to the terms as defined in the term sheet of the structured product.

The market value of over the counter (OTC) derivatives is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions.

For investments for which there is no quoted price or for which the quoted price is unreliable, fair value is determined by the ACD, taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

(G) EXCHANGE RATES

The base and functional currency of the Fund is pounds sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the exchange rate prevailing at close of business on the last business day of the financial year.

WS LANCASTER ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS continued

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2023

(H) DILUTION LEVY

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; on a sub-fund experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

(I) DIRECT TRANSACTION COSTS

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Debt security investments have no separately identifiable transaction costs as they form part of the dealing spread. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

(J) HEDGING MECHANISM FOR HEDGE SHARE CLASSES

The Investment Manager intends to hedge between 95-105% of the value of the assets attributable to the euro and US dollar hedged share classes against GBP sterling. All profits and losses arising on the hedge are applied directly to the valuation of the euro and US dollar hedged classes on a daily basis. The hedging position is reviewed on each day where there is a valuation point and adjusted appropriately as required.

2. Distribution Policies

Surplus revenue after expenses and taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion and the balance of revenue is distributed in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the Fund.

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2023

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

3. Net Capital (Losses)/Gains

The net capital (losses)/gains during the year comprise:

	31.12.23 £'000	31.12.22 £'000
Non-derivative securities	21,161	(119,401)
Derivative contracts	(71,551)	178,411
Forward currency contracts	275	4,748
Transaction charges	(5)	(8)
AMC rebates from underlying investments	–	17
Currency (losses)/gains	(1,789)	2,633
Net capital (losses)/gains	(51,909)	66,400

4. Revenue

	31.12.23 £'000	31.12.22 £'000
Non-taxable dividends	8,531	6,259
Interest on debt securities	2,207	449
Revenue from derivative contracts	8,625	11,245
AMC rebates from underlying investments	26	77
Bank interest	3,453	292
Stock dividends	728	1,176
Total revenue	23,570	19,498

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2023

5. Expenses

	31.12.23 £'000	31.12.22 £'000
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	3,198	3,987
Administration fees	490	540
Legal and professional fees	4	4
Typesetting costs	5	4
Performance fees	–	12,729
Registration fees	144	152
	3,841	17,416
Payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	149	166
Safe custody and other bank charges	129	96
	278	262
Other expenses:		
Audit fees	15	13
Legal and professional fees	2	29
Portfolio monitoring fees	5	5
Other tax related services	6	33
Research costs	357	460
	385	540
Total expenses	4,504	18,218

The Investment Manager's fees and expenses (plus VAT thereon) for providing investment management services are paid by the ACD out of its remuneration.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2023

6. Taxation

	31.12.23 £'000	31.12.22 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	422	636
Current tax charge	422	636
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	422	636

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.12.22: 20%). The difference is explained below:

	31.12.23 £'000	31.12.22 £'000
Net revenue/(expense) before taxation	11,633	(6,613)
Corporation tax at 20%	2,326	(1,323)
Effects of:		
Non-taxable dividends	(1,706)	(1,251)
Prior year adjustment	–	(8)
AMC rebates taken to capital	–	3
(Utilised)/unutilised excess management expenses	(620)	2,579
Corporation tax charge	–	–
Overseas tax	422	636
Total tax charge (note 6a)	422	636

c) Deferred tax

At the year end there is a potential deferred tax asset of £70,471,000 (31.12.22: £71,091,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
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7. Interest Payable and Similar Charges

	31.12.23 £'000	31.12.22 £'000
Interest payable	328	75
Interest paid on CFD contracts	1,492	4,341
Dividend payable on short dividends	5,613	3,477
Total interest payable and similar charges	<u>7,433</u>	<u>7,893</u>

8. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on redemption of shares, and comprise:

	31.12.23 £'000	31.12.22 £'000
Final	8,787	369
Add: Revenue deducted on redemption of shares	2,965	229
Deduct: Revenue received on issue of shares	<u>(534)</u>	<u>(201)</u>
Net distributions for the year	<u>11,218</u>	<u>397</u>

Details of the distributions per share are set out in the table on pages 67 and 68.

	31.12.23 £'000	31.12.22 £'000
Distributions represented by:		
Net revenue/(expense) after taxation	11,211	(7,249)
Allocations to capital:		
Tax relief on AMC rebates taken to capital	–	3
Revenue deficit – Sterling Retail Accumulation	–	254
– Sterling Institutional Accumulation	–	6,154
– Euro Hedged Institutional Accumulation	–	968
– US Dollar Hedged Institutional Accumulation	–	267
	–	7,646

WS LANCASTER ABSOLUTE RETURN FUND

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for the year ended 31 December 2023

	31.12.23 £'000	31.12.22 £'000
Equalisation on conversions ¹	7	-
Net distributions for the year	11,218	397

9. Debtors

	31.12.23 £'000	31.12.22 £'000
Amounts receivable for issue of shares	41	1,201
Sales awaiting settlement	8,690	-
Accrued revenue:		
Non-taxable dividends	78	144
Interest from debt securities	31	95
Revenue from derivative contracts	140	1,088
AMC rebates from underlying investments	-	26
	249	1,353
Taxation recoverable:		
Income tax	9	-
Overseas withholding tax	97	77
	106	77
Amounts due from brokers	117,380	8,257
Total debtors	126,466	10,888

10. Cash and Bank Balances

	31.12.23 £'000	31.12.22 £'000
Bank balances	16,530	39,252
Total cash and bank balances	16,530	39,252

¹ Where an investor converts to a class with a higher income yield, the investor will receive an equalisation as if they had held the new class throughout the period from the last distribution to the conversion date. The yield differential at the point of conversion is an equalisation which will be offset by capital erosion for the converted investor.

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
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	31.12.23 £'000	31.12.22 £'000
Bank overdraft	8,803	-
Total bank overdraft	8,803	-

11. Other Creditors

	31.12.23 £'000	31.12.22 £'000
Amounts payable for redemption of shares	702	711
Purchases awaiting settlement	-	332
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	229	366
Administration fees	33	49
Typesetting costs	5	2
Performance fees	-	12,729
Registration fees	11	13
	278	13,159
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	10	15
Transaction charges	5	2
Safe custody and other bank charges	95	17
	110	34
Other expenses	274	309
Revenue payable on CFD contracts	1,101	555
Amount due to brokers	918	-
Total other creditors	3,383	15,100

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
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12. Related Party Transactions

The Annual Management Charge, administration fees and legal and professional fees payable to Waystone Management (UK) Limited ('WMUK') ('the ACD'), registration fees payable to Link Fund Administrators Limited and typesetting costs payable to Link Alternative Fund Administrators Limited (both companies are associates of the ACD) and performance fees payable to the Investment Manager (an agent of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 11.

The Fund invests in other funds managed by the ACD, or an associate of the ACD. The ACD rebates the Annual Management Charge which is based on the net asset value of these investments in order to eliminate double charging.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 46 and amounts due at the year end are disclosed in notes 9 and 11.

WMUK and its associates (including other authorised investment funds managed by WMUK or its associates) held 315,461 (31.12.22: 2,824,166) of the Fund's shares at the balance sheet date.

A shareholder may be able to exercise significant influence over the financial and operating policies of the Fund and as such is deemed to be a related party. At the balance sheet date the following shareholder held in excess of 20% of the shares in issue of the Fund:

Clearstream Banking 20.33% (31.12.22: 22.82%)

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Investment Manager or for which WMUK is also the ACD. At the balance sheet date the value of the holdings was as follows:

	31.12.23 £'000	31.12.22 £'000
Investment Manager in common	—	11,418

13. Contingent Liabilities and Commitments

At the time of the accounts being prepared, the Fund has made claims under the principle established in Denkavit International BV, Denkavit France SARL v Ministre de l'Economie des Finances et de L'Industrie and confirmed in subsequent decisions of the European Court of Justice. At present, the outcome of these claims remains uncertain and therefore potential receipt of these claims has not been recognised. We will continue to monitor progress made in the future.

There are no contingent liabilities or unrecorded outstanding commitments (31.12.22: none).

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
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14. Shares in Issue

	Sterling Retail Accumulation	Sterling Institutional Accumulation	Sterling Management Accumulation
Annual Management Charge	1.25%	0.75%	0.75%
Opening shares in issue	2,618,191	85,757,439	7,018,970
Issues	97,151	6,108,925	234,943
Redemptions	(284,734)	(38,185,656)	(479,877)
Conversions	(776,091)	783,283	(50,877)
Closing shares in issue	<u>1,654,517</u>	<u>54,463,991</u>	<u>6,723,159</u>
		Euro Hedged Institutional Accumulation	US Dollar Hedged Institutional Accumulation
Annual Management Charge		0.75%	0.75%
Opening shares in issue		31,418,052	6,273,945
Issues		4,512,532	207,128
Redemptions		(7,904,457)	(4,811,391)
Closing shares in issue		<u>28,026,127</u>	<u>1,669,682</u>

15. Risk Management Policies

The Fund may invest in derivatives as an alternative to, or in addition to investment in securities. These may typically include equity swaps (often referred to as contracts for differences or CFDs), futures and options from time to time although this list is not exhaustive.

Derivatives may be used for both investment purposes and for the purposes of hedging. Hedging may be carried out with the aim of reducing the risk profile of a fund in accordance with 'EPM'. Using derivatives may increase the volatility of a fund and alter the risk profile of a fund. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to a fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

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FINANCIAL STATEMENTS continued
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The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the Fund. The ACD requires that the appointed Investment Manager to the Fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

(A) CREDIT RISK

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

The bond investments held are exposed to credit risk which reflects the ability of the issuer to meet its obligations. The ACD monitors the credit rating of bond holdings. The Bond in which the Fund invests is a non-rated security.

There were forward currency contracts and contracts for differences held at the balance sheet date. Details of individual contracts are disclosed separately in the Portfolio Statement and the total position by counterparty at the balance sheet date was as follows:

31.12.23 Counterparty	Instrument	Notional Value £'000	Market Value £'000
Morgan Stanley	CFDs (Long)	174,627	4,458
	CFDs (Short)	(283,019)	676
BNY Mellon	Forward currency contracts	–	(17)

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for the year ended 31 December 2023

31.12.22 Counterparty	Instrument	Notional Value £'000	Market Value £'000
JPMorgan	CFDs (Long)	314,117	(1,192)
	CFDs (Short)	(235,546)	20,914
BNY Mellon	Forward currency contracts	–	(10)

At 31 December 2023, cash collateral of £114,614,000 (31.12.22: £5,890,000) was held with Morgan Stanley and £2,766,000 (31.12.22: £2,367,000) was held with BNY Mellon. These amounts are included in amounts due from brokers in note 9. As at 31 December 2023, cash collateral of £918,000 (31.12.22: £nil) was pledged to Morgan Stanley. These amounts are included in the amounts due to brokers in note 11.

(B) INTEREST RATE RISK

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes may expose the Fund to indirect interest rate risk to the extent that they may invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund takes on interest rate risk within its investment portfolio where the ACD and Investment Manager believe that the expected return compensates for the overall risk. The ACD and Investment Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis. The Fund may also indirectly be exposed to interest rate risk through its investment in collective investment schemes. As the Fund has no significant direct exposure to interest rate risk, no sensitivity analysis has been presented.

The table below shows the direct interest rate risk profile:

	31.12.23 £'000	31.12.22 £'000
Floating rate investments	10,831	43,307
Investments on which interest is not paid	229,350	510,548
Investment liabilities on which interest is not paid	(4,383)	(8,422)
Total investments	<u>235,798</u>	<u>545,433</u>

WS LANCASTER ABSOLUTE RETURN FUND

FINANCIAL STATEMENTS continued

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for the year ended 31 December 2023

(C) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the Sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than Sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the Sterling equivalent value. Forward currency contracts are employed by the Investment Manager, where deemed appropriate, to mitigate the foreign exchange risk in Sterling terms or to take an investment position in a particular currency. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates. As the Fund's base currency is Sterling the Euro Share Class and the US Dollar Share Class are hedged against Sterling. This means (subject to notes on page 51) that the performance of these share classes in their own currencies should be similar to the performance of the Sterling share class. However, these share classes will be still exposed to currency risk to the extent that the Fund in Sterling terms has foreign currency exposures either directly and/or through the use of forward contracts.

(D) LIQUIDITY RISK

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation. The ACD monitors the liquidity profile of the Fund daily.

In assessing the liquidity profile of the Fund, the ACD assesses how much of the Fund can be realised in one and five days, under normal and stressed market conditions, and the impact this would have on the overall subsequent liquidity profile.

In assessing the liquidity of a company's shares, the ACD utilises the lower of the 5 and 20 day average market volume of that company's shares. An in depth review takes place by assessing the liquidity profile of the Fund against a 25% market participation of the average daily volume.

Based on this analysis 87.55% of the portfolio can be liquidated within 7 days and 100.00% within 30 working days (31.12.22: 69.22% within 7 days and 90.25% within 30 days). Given this and the ACD's understanding of the investor base, it is considered that the liquidity profile of the Fund is appropriate.

All financial liabilities are payable in one year or less, or on demand.

(E) MARKET PRICE RISK

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded

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as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

(F) DERIVATIVES

The Investment Manager has employed derivatives for the purpose of hedging and investment purposes as described in the sections above.

The ACD assesses the market risk of the Fund's investments on a daily basis, including any derivative exposure, using the Monte Carlo Value at Risk ("VaR") methodology against the regulatory limit of a monthly VaR limit of 20% (4.47% daily). A confidence interval of 99% and a time horizon of 20 days are used as standard. The window period utilised is a minimum of 4 years. This process provides the ACD with an estimate of the maximum potential loss that could be expected to occur as a result of changes in market prices over 20 days in all but a given percentage of circumstances (1% in this case). For example, based on 99% 20 day (monthly) VaR of 20% one would expect to see a performance over 20 days of less than -20% only in one out of a hundred trading 20 day periods. The highest and lowest 20 day (monthly) VaR were 12.69% (31.12.22: 23.62%) and 3.28% (31.12.22: 11.09%) respectively, with an average 20 day (monthly) VaR of 8.50% (31.12.22: 14.49%). The 20 day VaR of the Fund at 31 December 2023 was 7.09% (31.12.22: 11.95%). It should be noted that VaR is only an indication of risk and actual price movements may prove to be less or more volatile than expected.

A proportion of the capital may be leveraged. While leverage presents an opportunity for increasing the capital return, it has the effect of potentially increasing losses as well. Any event which adversely affects the underlying vehicles would be magnified to the extent the capital is leveraged. The gross leverage (sum of notionals basis) at 31 December 2023 was 129.83% (31.12.22: 46.26%). Please refer to the Prospectus for further details about leverage and the use of derivatives.

WS LANCASTER ABSOLUTE RETURN FUND
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NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 31 December 2023

16. Portfolio Transaction Costs

31.12.23	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	270,391	104	457	270,952
Collective investment schemes	16,669	10	–	16,679
Debt securities	32,605	–	–	32,605
Purchases total	<u>319,665</u>	<u>114</u>	<u>457</u>	<u>320,236</u>
Transaction cost % of purchases total		0.04%	0.14%	
Transaction cost % of average NAV		0.02%	0.10%	
Ordinary shares	543,963	(249)	(32)	543,682
Collective investment schemes	30,858	(14)	–	30,844
Debt securities	22,371	–	–	22,371
Sales total	<u>597,192</u>	<u>(263)</u>	<u>(32)</u>	<u>596,897</u>
Transaction cost % of sales total		0.04%	0.01%	
Transaction cost % of average NAV		0.06%	0.01%	

Average portfolio dealing spread at 31.12.23 is 0.44% (31.12.22: 0.49%).

WS LANCASTER ABSOLUTE RETURN FUND

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for the year ended 31 December 2023

31.12.22	Purchases/ sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases/ net sales £'000
Ordinary shares	442,656	168	677	443,501
Collective investment schemes	97	–	–	97
Debt securities	4,114	–	–	4,114
Purchases total	<u>446,867</u>	<u>168</u>	<u>677</u>	<u>447,712</u>
Transaction cost % of purchases total		0.03%	0.12%	
Transaction cost % of average NAV		0.03%	0.13%	
Ordinary shares	305,957	(127)	(6)	305,824
Collective investment schemes	3,595	–	(18)	3,577
Debt securities	1,792	–	–	1,792
Sales total	<u>311,344</u>	<u>(127)</u>	<u>(24)</u>	<u>311,193</u>
Transaction cost % of sales total		0.03%	0.01%	
Transaction cost % of average NAV		0.03%	–	

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
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17. Fair Value Hierarchy

Investments are categorised into the following levels based on their fair value measurement:

Level 1: Unadjusted quoted price in an active market for an identical instrument;

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1;

Level 3: Valuation techniques using unobservable inputs (see note 1(F) of the Accounting Policies).

31.12.23	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	219,850	20,331	–	240,181
Investment liabilities	–	(4,383)	–	(4,383)

31.12.22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment assets	361,721	191,997	137	553,855
Investment liabilities	–	(8,422)	–	(8,422)

18. Subsequent Events

As at 22 April 2024, the price of each of the Fund's share classes, compared to that at the balance sheet date, has moved as follows:

Share class	Balance sheet date	22.04.24	Movement
Sterling Retail Accumulation	440.20	488.62	11.00%
Sterling Institutional Accumulation	471.05	522.82	10.99%
Sterling Management Accumulation	518.45	578.74	11.63%
Euro Hedged Institutional Accumulation	2.5580	2.8384	10.96%
US Dollar Hedged Institutional Accumulation	2.6253	2.9149	11.03%

The increase in the prices is primarily due to favourable market conditions. These accounts were approved on 25 April 2024.

WS LANCASTER ABSOLUTE RETURN FUND

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DISTRIBUTION TABLE

for the year ended 31 December 2023 – per share

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes. Where there is no distribution at interim, the final distribution is deemed to run for the whole year.

Group 2	Final
From	01.01.23
To	31.12.23

STERLING RETAIL ACCUMULATION SHARES (PENCE)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	8.5930	–	8.5930	–
Group 2	4.6460	3.9470	8.5930	–

STERLING INSTITUTIONAL ACCUMULATION SHARES (PENCE)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	11.3683	–	11.3683	–
Group 2	6.9888	4.3795	11.3683	–

STERLING MANAGEMENT ACCUMULATION SHARES (PENCE)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	12.5541	–	12.5541	5.2641
Group 2	3.0086	9.5455	12.5541	5.2641

WS LANCASTER ABSOLUTE RETURN FUND
FINANCIAL STATEMENTS continued
DISTRIBUTION TABLE continued

EURO HEDGED INSTITUTIONAL ACCUMULATION SHARES (€ CENTS)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	6.2504	–	6.2504	–
Group 2	1.7622	4.4882	6.2504	–

US DOLLAR HEDGED INSTITUTIONAL ACCUMULATION SHARES (\$ CENTS)

There were no interim distributions in the current or prior year.

Final	Net Revenue	Equalisation	Allocation 29.02.24	Allocated 28.02.23
Group 1	6.9662	–	6.9662	–
Group 2	6.9662	0.0000	6.9662	–

GENERAL INFORMATION

Share Capital

The minimum share capital of the Company is £1 and the maximum share capital is £100,000,000,000.

Structure of the Company

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and policy applicable to that sub-fund.

The sub-fund currently available is:

WS Lancaster Absolute Return Fund

In the future there may be other sub-funds of the Company.

Classes of Shares

The Instrument of Incorporation allows income and accumulation shares to be issued.

Holders of income shares are entitled to be paid the distributable income attributed to such shares on any relevant interim and annual allocation dates.

Holders of accumulation shares are not entitled to be paid the income attributed to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant sub-fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation share.

Valuation Point

The current valuation point of the Fund is 10.00am (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

Buying and Selling Shares

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm (London time). Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 922 0044.

Prices

The prices of all shares are published on every dealing day on the ACD's website: www.waystone.com. The prices of shares may also be obtained by calling 0345 922 0044 during the ACD's normal business hours.

GENERAL INFORMATION continued

Other Information

The Instrument of Incorporation, Prospectus, Key Investor Information Documents and the most recent interim and annual reports may be inspected at, and obtained from, the ACD at 2nd floor, 20-22 Bedford Row, Holborn, London WC1R 4EB during normal business hours on any Business Day, in addition to being available at www.waystone.com.

Shareholders who have any complaints about the operation of the Fund should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR. Information about the Financial Ombudsman can be found on its website at www.financial-ombudsman.org.uk.

Data Protection Act

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.

Additional Information for Investors in Switzerland

Please note that the distribution of LF Brook Absolute Return Fund, a sub-fund of the LF Odey Funds ("Foreign Collective Investment Scheme"/"FCIS") is restricted exclusively to qualified investors in accordance with art. 10 para. 3 of the Swiss Collective Investment Schemes Act.

Principal documents according to art. 13a of the Swiss Collective Investment Ordinance – the Prospectus, Key Investor Information Document, the Instrument of Incorporation, the annual and semi-annual reports, and/or any such documents, which are required for the approval in compliance with the applicable foreign law – of the FCIS may be obtained upon request and free of charge at the Representative's registered office in Zurich. The place of performance and the place of jurisdiction for shareholders having subscribed their shares in Switzerland is Zurich.

Representative & Paying Agent in Switzerland: RBC Investor Services Bank S.A., 7 Bleicherweg, CH-8027 Zurich, Switzerland.

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