

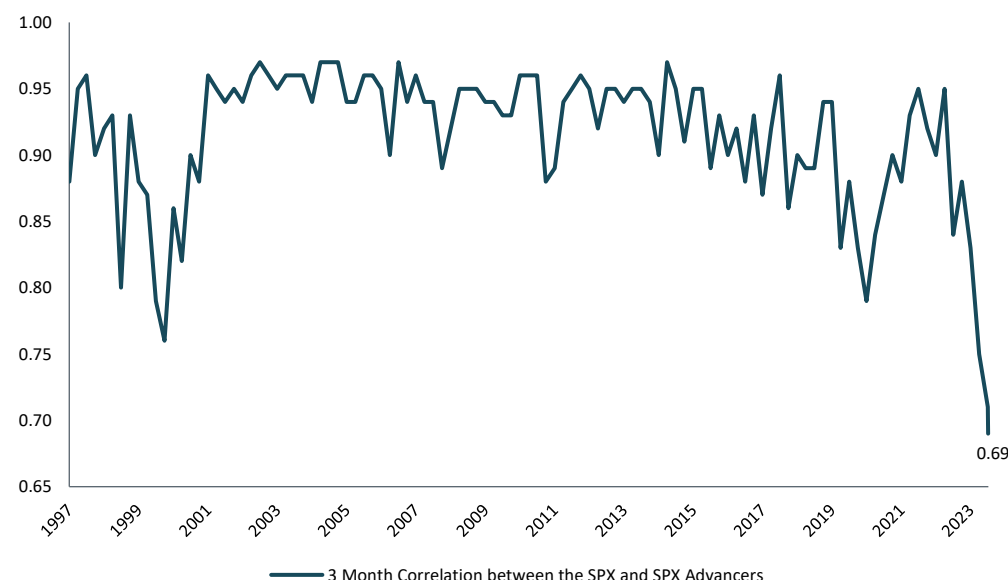
WS Lancaster Absolute Return Fund

Portfolio Manager Q2-24 Report

Introduction

It was a good quarter for the fund, returning +7.08% and generating alpha on both the long and the short book. The drivers of performance were quite reflective of the past few years for the fund, with our geographical and market style positioning being poor but more than offset by our stock picking. Our long equity positions made +8.62%, our short equity positions +0.31% and our futures positions +0.29%. Equity markets were strong but also narrow with the AI cohort of the NASDAQ continuing to drive performance for the MSCI World TR (+2.52%). Meanwhile our portfolio has been treading a different path to the mainstream market both thematically and at a company level hence the correlation at close to zero in the past few years.

Exhibit 1: 3 month correlation between the SPX and SPX Advancers, 1998-2024



Source: Bloomberg

Macro

The US economy is slowing, both GDP estimates and economic data releases have been below expectations and are coming down. The Citigroup economic surprise indices tell a very different story for the US, Eurozone and the UK:

Performance

7.1% Quarterly performance
8.5% Year-to-date performance
11.4% CAGR since inception

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

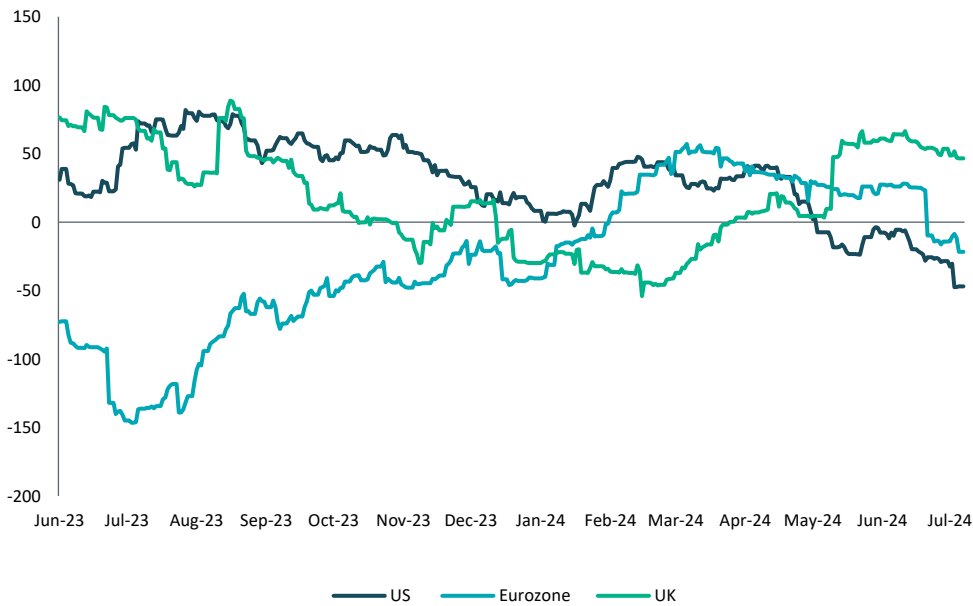
Fund details¹

£ I Class	511.28
£ R Class	477.08
\$ I Class	2.86
€ I Class	2.75
Fund Size	£357 million
Strategy AUM	£672 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	UK Long Short UCITS

Portfolio Managers

James Hanbury
Jamie Grimston

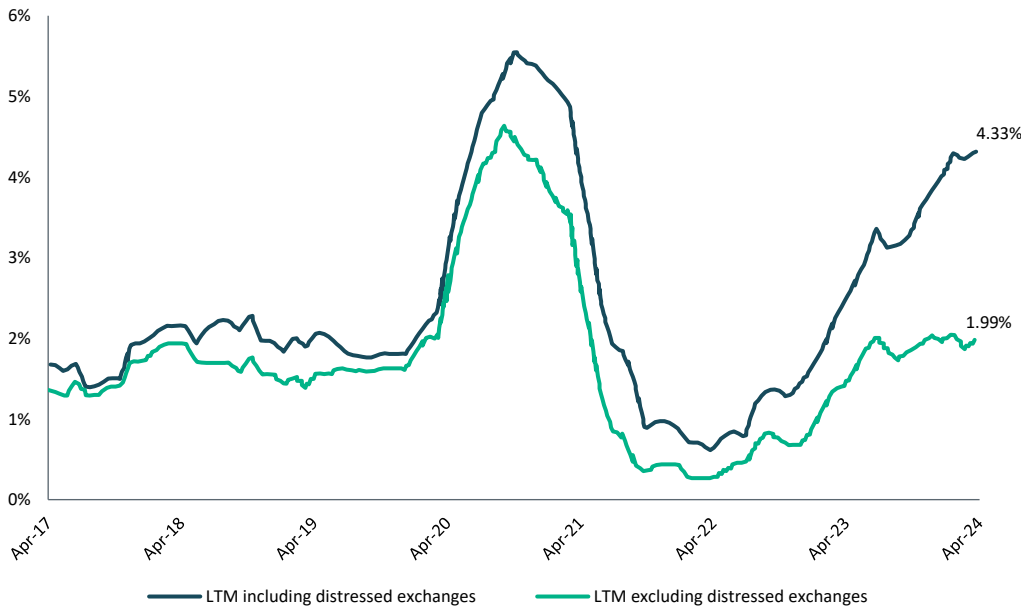
Exhibit 2: US, Eurozone and UK Citi economic surprise indices, June 2023 – July 2024



Source: Citigroup, Bloomberg

We continue to see evidence of a bifurcated U.S. economy with the bulk of it slowing, but still in reasonably good health (employment, housing, services sector); while the more leveraged parts of the economy are under pressure.

Exhibit 3: Dual track US loan default rate: issuer count

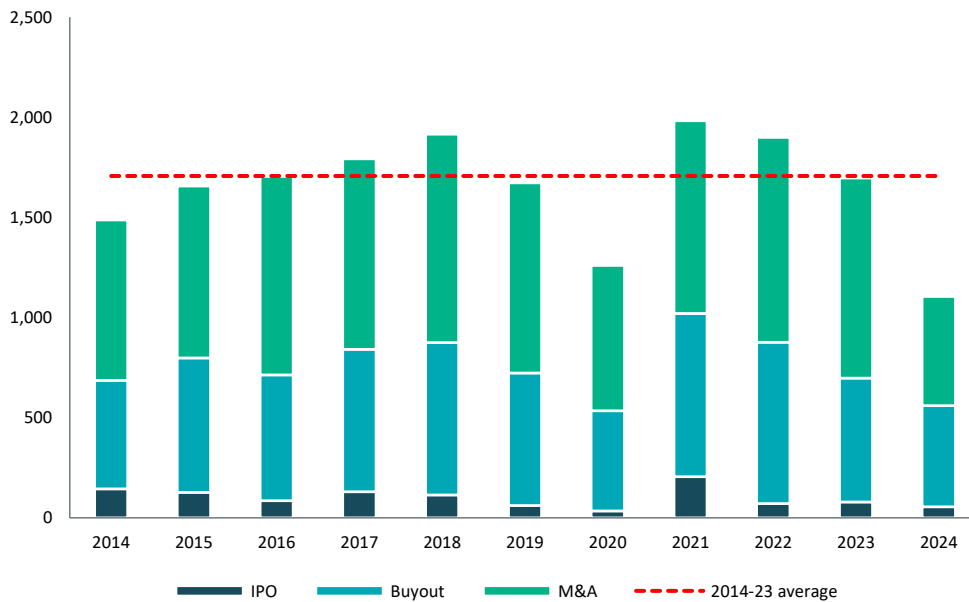


Source: Pitchbook.com, LCD; Morningstar LSTA US Leveraged Loan Index, Data through April 30, 2024

The awkward thing for private equity managers is that whilst their portfolio company balance sheets are too levered and with too much floating rate debt it is proving very difficult to exit at an acceptable price. Cash flows are being eaten up by debt payments and in-prices

are more reflective of a much lower discount rate world. At a time when we should be seeing an acceleration in private equity exits we are actually seeing a slowdown.

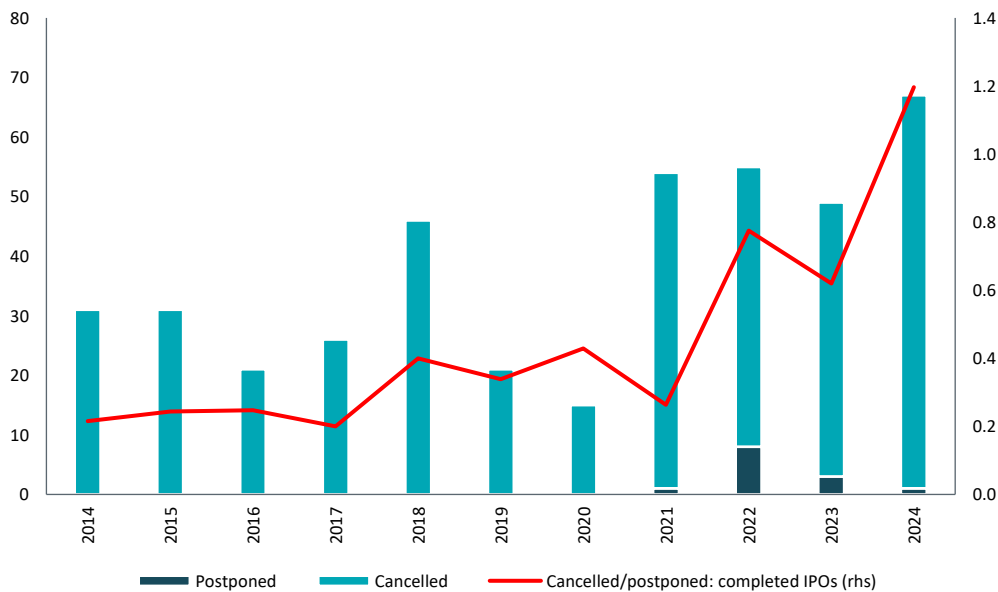
Exhibit 4: Number of completed PE backed exits, global (Year to 25th June)



Source: Autonomous Research

We as equity investors can witness firsthand the number of attempted IPOs in the first half that have been pulled. It is extraordinary that this is happening when equity markets are close to their highs, animal spirits are good and credit spreads are low. Clearly the missing piece is that the asking price at which PE vendors need to sell companies is currently unacceptable for the public markets.

Exhibit 5: Cancelled & postponed IPOs for PE backed companies, year through 25th June



Source: Autonomous Research, Pitchbook

One of the concerns we have is that credit risk is being mispriced by the markets. The chart below shows that the risk premium on US leveraged loans, which is the difference between the spread on US leveraged loans and the last 12 month loss rates, has only been materially lower around the great financial crisis.

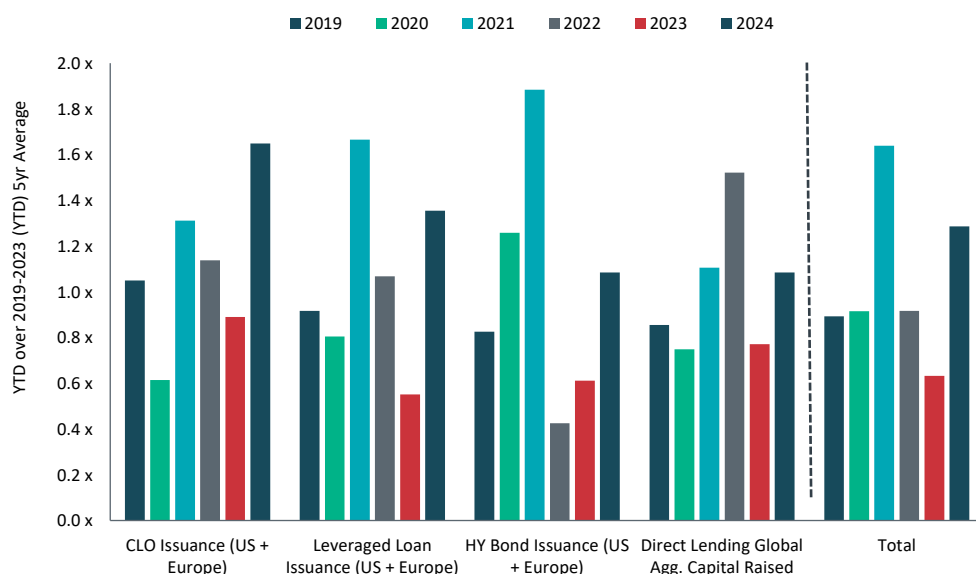
Exhibit 6: US leveraged loan risk premium (%)



Source: Bloomberg, Lancaster Investment Management

We believe one of the reasons behind this is linked to oversupply of credit for higher risk debt. We hear this anecdotally in terms of loosening of terms and conditions as well as seeing it in the pricing. The chart below shows the growth in the issuance of the riskier debt. In developed economies loan growth should be broadly in line with nominal GDP, this riskier cohort has seen a 5 year CAGR at c. 2% ahead of nominal GDP in a rising rate environment but year to date it is growing at 104% albeit against a weak comparison.

Exhibit 7: 2024 – YTD Issuance / Fundraising Activity vs 2019-2023 5yr average



Note: All data used in USD, YTD: Jan-Jun for CLO, LL and HY issuance, YTD 1Q-2Q for Direct Lending agg. capital raised, Direct Lending includes commingled funds only (i.e. excludes SMAs, BDCs). Source: Preqin, Pitchbook LCD, Eikon

Much of the macro focus during the quarter was on political events. Whilst Donald Trump became the first former president to be convicted of felony, the June presidential debate may well prove to be of much greater consequence. In France we saw a surprise parliamentary election called by President Macron after the success of the National Front in the European elections. Rishi Sunak also called an earlier than expected UK general election, resulting in a new Labour party majority. The almost non-existent post-election market reaction in the UK, compared with a meaningful fall for the French index, highlights the low political risk in the UK at present compared to other countries.

President Trump is currently favourite to be elected as the next US president. We continue to be concerned that risks linked to the treasury market are underpriced for a second Trump term. It appears that Trump's current agenda is pro-growth and inflationary as in his first term, but the economic setup is now completely different.

Exhibit 8: Mooted Trump policies vs likely economic consequences

Mooted Trump policy	Economic consequence
Impose more tariffs	Inflationary
Tightening immigration	Inflationary but bad for real growth
Extend tax cuts	Pro-growth and inflationary
Produce more oil and rebuild oil strategic reserve	Pro-growth, initially inflationary then deflationary
Onshoring	Pro-growth and inflationary
Increased military spending domestically	Inflationary
Deregulation	Pro-growth

Source: donaldjtrump.com, media reports, Lancaster Investment Management

Exhibit 9: US macro position 2017 vs 2024

	20 th Jan 2017	Current
US Budget deficit	3%	6%
Cost of 10 year debt	2.46%	4.45%
Government debt to GDP	104%	128%
US CPI % YOY	2.1%	3.3%

Source: Lancaster Investment Management, Bloomberg

When you put the above numbers together it shows how much interest the U.S. government is now paying on its debt. If the yield curve does not meaningfully move then this cost of debt will inevitably climb as cheaper historic interest rates have to be refinanced.

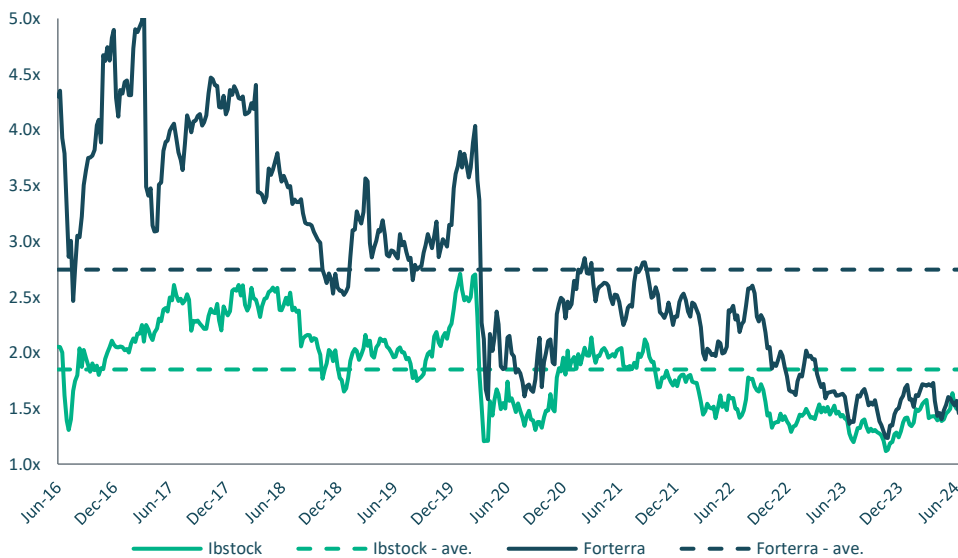
Exhibit 10: US government debt interest payments as a percentage of GDP (projection to 2034)



Source: Congressional Budget Office

With the Labour Party in the UK now having won a sizable majority in parliament, what are we expecting? Unlike former Labour opposition parties this is a middle ground party which will continue broadly along the lines of Conservatives over the past few years. On its own it is not good to see such a sizeable majority for any party given the opposition is too weak. That said, we always saw the biggest risk as a small Labour majority leading to the extreme left within the party having influence, this should now not be the case. The Labour party will want closer ties with the EU compared to the Conservatives post Brexit. One of the key parts of the Labour Party manifesto is to reform the planning system and build more houses; 300k per annum vs the current rate of c. 175K. Given UK house prices have corrected by c. 20% in real terms we feel that our holdings linked to house building should be well positioned. This is at odds with both the housebuilders and the brick companies trading at multiples below their historic average.

Exhibit 11: Ibstock and Forterra Price/Tangible Book Value June 2016 – June 2024



Source: Bloomberg, Lancaster Investment Management

The other meaningful area for us that Labour has focused on in their manifesto is in improving the attractiveness of the UK stock market and participation in it. Labour have said they will continue with the British ISA and want more pension fund participation in UK listed shares. If executed this can only be a good thing for the rating of the UK market.

'We will adopt reforms to ensure that workplace pension schemes take advantage of consolidation and scale, to deliver better returns for UK savers and greater productive investment for UK PLC. We will also undertake a review of the pensions landscape to consider what further steps are needed to improve pension outcomes and increase investment in UK markets.' Source: Labour Party Manifesto 2024.

We feel there is a good chance that our UK overweight could start to benefit from micro and macro positioning. For the past few years it has only been the former.

Performance and positioning

Long book

The long equity book contributed +8.62% in the quarter, this was particularly pleasing given that we were mainly exposed to geographic areas that underperformed.

Plus500 was strong, contributing +2.29%, after a decent Q1 trading update. We continue to believe that earnings expectations and the multiple are still materially too low for Plus500. Data shows good momentum in its US business which makes a US relisting easier if needed. We have been asked quite a few times by investors why we haven't made more money out of the Magnificent Seven. Whilst we have owned some of them, clearly it has been a mistake not to have held them for longer. It often surprises people that since it floated in

2013 Plus500 has outperformed all the Magnificent Seven except Nvidia. Plus500 though has de-rated over this period in stark contrast to the Magnificent Seven. We have generally been the largest shareholder in Plus500 outside of founders since the IPO.

Exhibit 12: Aggregate total return (USD) and valuation change of Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia and Tesla (together the "Magnificent Seven") vs Plus500, July 2013 to July 2024

	Magnificent Seven	Plus500
Total Return since July 2013	1635%	4307%
Annualised Equivalent	29%	41%
EV/Sales Start (23/07/13)	3.1 x	2.5 x
EV/Sales End (3/07/24)	8.6 x	2.0 x
EV/T12M EBITDA Start (23/07/2013)	16.6 x	5.6 x
EV/T12M EBITDA End (3/07/2024)	28.1 x	4.7 x

Source: Bloomberg, Lancaster Investment Management

Hargreaves Lansdown was a top contributor (+1.47%) for us during the quarter after news of a potential bid was received from a private equity consortium led by CVC. Hargreaves Lansdown's Board stated that it was minded to recommend the bid to shareholders on given terms. We have been building the position in Hargreaves Lansdown throughout this year. The bid includes an unusual two-tiered structure where 35% of shareholders can go private with the consortium, while other shareholders must sell at the given price. We believe that most shareholders including us do not have the ability to go private, and are left only with the cash offer at £11.40, which we find too low. Although Hargreaves Lansdown has struggled in recent years, we see signs of green shoots in the company's operational performance. It has, in our view, completed a significant proportion of its heavy investment programme aimed to help improve its technology and offering, positioning the business for potentially very significant scale opportunities to come in the future. As the UK's market leading savings platform, we believe a cash offer at a PE multiple of c 17x is too low, particularly when you consider the c 15% discount of the multiple to closest listed competitor AJ Bell. We have communicated our views to the chair of Hargreaves Lansdown via an open letter and remain in dialogue. The whole episode chimes with our concern that many UK companies are vulnerable to opportunistic lowball bids.

BT was a strong performer during the quarter (+0.84%) after the new chief executive Allison Kirkby gave 2025 free cash flow guidance that was 15-30% ahead of consensus expectations. The shares offer a free cash flow yield in the high teens for 2027. The market seems to have struggled to value BT whilst in its investment phase (we make a similar observation with Liberty Global). That said, other investors with a longer time horizon who operate within the sector have been buying into BT; multi-billionaire Carlos Slim, owner of American Movil, is the latest industry insider to turn up on the shareholder register.

During the second-half of this year **Liberty Global** will spin off its Swiss asset Sunrise. As previously discussed, this will leave the remaining part of the business with a negative enterprise value. What we find fascinating is that despite the remaining part of Liberty Global being considered worthless by the market, it generates a large amount of free cash flow and owns a lot of infrastructure assets. On the other side of the equation there are many infrastructure funds ready to deploy their cash. We currently find the market awash with attractive 'spread situations' where there are huge inconsistencies in how similar assets are being valued in different guises.

During the quarter we added to two of our positions which we believe offer good exposure to the energy transition and in particular greater demands on the electricity grid. **National Grid** (-0.22%) surprised the market with a £7bn rights issue which will allow it to invest £60 billion over the next five years. Despite National Grid being able to grow EPS by high single digits for many years to come, the shares trade on a discount to its long-run average EV/RAB and P/E multiples. National Grid trades on c.12x 2025 earnings with a dividend yield of over 5%. Given this dividend should be protected in real terms and is derived from a regulated asset base in the UK and US, the shares look incredibly cheap when compared to equivalent inflation-linked bonds. **Siemens Energy** (+1.16%) performed well during the quarter after it reported

a stronger order book than expected; the market is starting to recognise this business as having structural tailwinds given its exposure to the electricity grid, gas and wind power.

IWG (-0.27%) materially termed out its debt during the quarter and Yardi Systems took control of its largest and most disruptive competitor, WeWork. Yardi will almost definitely be a more rational owner of the smaller WeWork business. There are also some interesting scenarios if IWG and WeWork merge.

We have commented a few times on how much some of our long positions have derated over the past few years despite good operational performance, this is illustrated in the table below.

Exhibit 13: De-rating of top positions, July 2021 – July 2024

	Multiple	July 2021 multiple	July 2024 multiple
Frasers	Forward P/E	18 x	7 x
Ubisoft	Forward P/E	25 x	12 x
BP	Forward P/E	9 x	7 x
IWG	Forward Price to sales	1.4 x	0.6 x
Ryanair	Forward EV/sales	4.0 x	1.3 x
ArcelorMittal	Forward P/B	0.8 x	0.3 x

Source: Bloomberg, Lancaster Investment Management

We have mixed emotions about this though as many of these companies have been able to arbitrage the market by significantly reducing their share count and increasing intrinsic value per share. Importantly they have been doing this whilst continuing to invest in the businesses as the table below shows.

Exhibit 14: Selected portfolio company share buyback and capex programmes

Company	Share count reduction	Period	Investment	Benchmark	Notes
Liberty Global	57%	8 years	25% (capex/sales)	21%	Benchmark is BT, KPN and Swisscom
Frasers	24%	8 years	6.5% (capex/sales)	3.5%	Benchmark is European retail sector
Plus500	32%	5 years	23% (marketing expense/sales)	9%	Benchmark is IG Group
Man Group	33%	11 years	2.2% (capex/sales)	1.8%	Benchmark is 12 asset managers
ArcelorMittal	30%	4 years	5% (capex/sales)	5%	Benchmark is the 12 Steel names in Exane coverage
BP	18%	5 years	8% (capex/sales)	8%	TotalEnergies over 5 years
Shell	23%	6 years	7% (capex/sales)	8%	TotalEnergies over 5 years
Barclays	15%	4 years	13.5% (CET 1 capital ratio)	12%	Regulatory minimum capital ratio
NatWest	26%	4 years	13.5% (CET 1 capital ratio)	11.70%	Regulatory minimum capital ratio

Source: Redburn, BNP Paribas Exane and company data

Our European banking positions (**Barclays**, **NatWest**, **Deutsche Bank**, **Commerzbank** and **Monte dei Paschi**) generated positive returns for us during the quarter in spite of retracing some gains linked to the first round of the French parliamentary election. We did some interesting work during the quarter trying to understand what multiple the market has been willing to pay for UK banks since 2000. Statutory earnings, which strip out the adjustments which were meaningful in the decade post the GFC, gave the most convincing answer. Statutory and adjusted earnings are now very close which makes the analysis more useful. At a basic level the answer is that for most of the time the market valued Lloyds and Barclays at just over 10x PE one year forward for statutory earnings and NatWest at around 9x PE. This would also reconcile with a more sensible cost of equity than the market is currently attributing to them. With Barclays now trading on a 2025 PE of circa 5.7x consensus and NatWest on 7.4x consensus, they offer significant upside just returning to these historic multiples although we can see why they can easily trade above them. European banks deserve a re-rating as they have changed on many dimensions. They have gone from requiring several rounds of capital raises to being supported by robust balance sheets, the cycle of adverse regulation has largely ended, they have gone from destroying tangible book value to growing it. Profitability should not be pressured by lower rates as the benefit of hedges kicks in and rates remain at levels that are favourable to the banks.

Our new long in **HDFC**, an Indian bank, generated returns of +0.51% after the bank was able to show the seeds of a turnaround in operational performance. Investors were worried that the franchise had lost its competitive edge with its recent merger weakening its funding position, this provided a pull back in the shares which allowed us to take our position. Instead, the bank was able to show deposit growth of +7.5% quarter on quarter whilst retaining its ratio of low cost deposits. Revenues grew +700bp ahead of costs in the quarter, showing positive 'operating jaws'. The combination of these two factors gives us comfort that the bank can close the profitability gap versus its best peers and continue to re-rate and grow with the economy. We believe that, over the cycle, HDFC can grow its loan and deposit book at or above the rate of growth of Nominal GDP in India while improving its return on assets. This should allow its price to book ratio to re-rate from the current 2.7x towards its 10 year median of 3.9x.

The largest long book detractor in the quarter was **Ryanair** (-0.94%) after the company lowered expectations for summer pricing. The market de-rated the shares aggressively even though the new yield guidance – low single digit positive – is exactly in line with what we are hearing from the peer group. Ryanair remains the lowest-cost provider in an industry where supply will be meaningfully constrained for the next five years due to delivery delays from Boeing and Airbus, and the company will generate 40-50% of its market cap in cash during this time. With the shares trading at an all-time low multiple of 8x earnings, we took the opportunity to top up our position.

During the quarter we bought some 10 and 30 year Treasury futures to reduce our short duration factor exposure. We sold the position for a profit of +1.06% after we were able to rebalance our factor exposure at a stock level. The short duration factor risk reduction came about from adding to National Grid and taking a new position in **Cellnex**, both of which should be strongly negatively correlated to moves in the yield curve. This is an example of a mostly data-driven focus we have had over the past 18 months to try and reduce our drawdowns and improve our Sortino ratio.

Short book

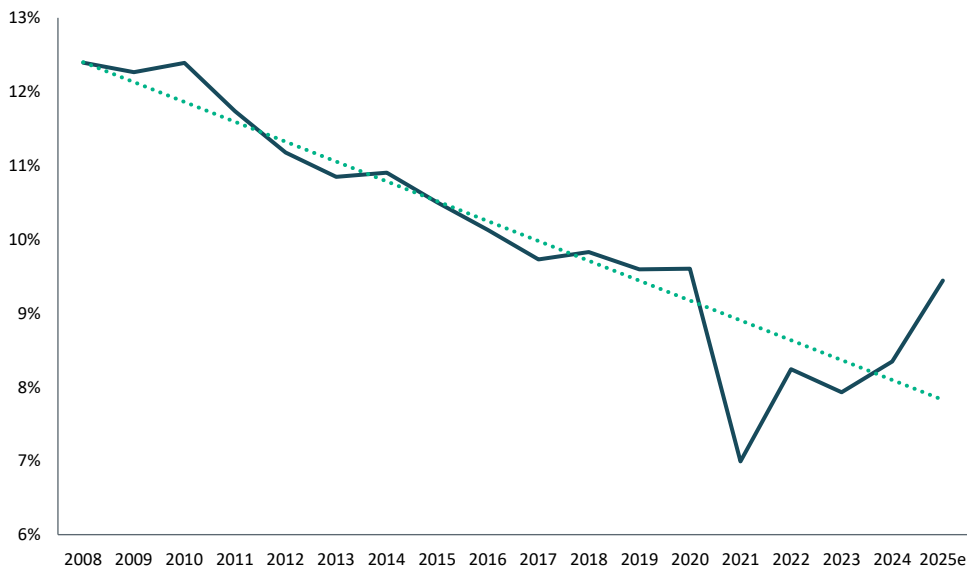
Our short book had a good quarter with our equity shorts making +0.31% in a strong market and our equity index shorts losing -0.77%.

Our top contributor was **Lululemon** (+0.96%), which fell c.-20% over the quarter following disappointing results and the departure of its Head of Product to a smaller competitor. We have written previously about this stock and it has been satisfying to see our thesis come to fruition. We believe there is now further evidence that the company is struggling with increasing competition, the over-extension of its range and excess space growth in its core US business. Despite the meaningful fall in the share price year-to-date, we still think the shares are significantly overvalued. We see no signs of the operating issues dissipating, in fact competition will probably only get more intense and growth in the overall category in the USA also appears to be decelerating. We believe the company is currently over-earning with EBIT margins in excess of 20% and is overvalued on a forward PE multiple of 21x, which feels very generous for a group currently growing its EBIT at only c.+7% Y-on-Y and where EBIT in its (largest) Americas segment is actually now declining Y-on-Y.

Our long and short positions in the sports brand and retail space have investment cases that are interwoven and feed off sector and stock knowledge. Our short position in **Nike** was also successful for us in the quarter (although the performance figures will not show up for us until Q3 due to the timing of fund pricing). We had observed relatively low and decelerating revenue growth at Nike, a questionable strategic focus on the direct-to-consumer channel and potentially a prioritisation on the capital allocation front of shareholder returns over reinvestment into the business/customer. We felt Nike might require a margin reset to return the group to higher levels of growth, and

guidance along these lines in the fiscal Q4 results contributed to a c.-20% drop in the share price on the last day of the quarter. Whilst we have now covered our short position in Nike, its guided increased levels of investment into marketing and product innovation should make our existing shorts in **Deckers**, **On Holding** and **Lululemon** even more compelling. On Holding (-0.51%) and Deckers (-0.43%) both lost money for us in the quarter.

Exhibit 15: Nike demand creation expense/sales, 2008 – 2025



Source: Company reports, Lancaster Investment Management

Our short in **Prologis** contributed +0.47% after its rental growth and guidance disappointed the market. We continue to have meaningful short exposure to the logistics space. Our company meetings with numerous retailers have suggested to us that there is much more distribution centre supply coming onto the market than expected, pressuring the operating outlook in our view. Meanwhile relative valuation compared to benchmark borrowing costs remains expensive, and consensus forecasts and the companies' own valuation assumptions remain optimistic, offering very attractive risk/reward for our shorts here.

It was also pleasing to see from an alpha and portfolio construction basis that whilst our long European bank positions made money for the fund so did our shorts in US regional banks (+0.35%). Whilst a new Trump term would be helpful for them with lighter regulation, this for us is outweighed by the impact of a higher yield curve and their asset quality, particularly in offices. The real estate industry calls for a bottoming out of operating performance and valuation for offices with for example Manhattan vacancy stabilising at c 20%, new developments largely cancelled or delayed, and pressure on valuation yields from rising interest rates and credit spreads abating through the course of 2024 so far. However, the underlying picture continues to look very dangerous with a recent Savills report pointing to utilisation rates of offices as low as 30% in Manhattan, and JLL data pointing to a still elevated pipeline of sub-let space as well as a trend of downsizing for major tenants. It is concerning that these data points are coming out at a time of full US employment.

Two of our short positions in BDCs (listed private credit vehicles) saw their credit rating outlooks downgraded by Moody's to "negative" in the quarter, and generally the trends in the private credit space that we follow are deteriorating. Moody's negative outlook puts these two names at risk of downgrade to sub-investment grade rating over the next year. The rating agency noted that both names have seen sharp rises in their non-performing loans (marked as "non-accrual") through recent months, to material levels and higher than peers. Moody's also noted that one has elevated risk from exposure to low-grade second lien loans, and that "recovering from the negative effect on earnings from loan restructuring will likely be challenging". For the other, Moody's noted that its cash flow is deteriorating as it supports borrowers with amendments to non-cash "payment in kind" (PIK) loans, such that it no longer covers its own dividend with cash flow and is in danger of breaching its own debt covenants. Both companies have sought to address their issues, but we see the self-help as partial

at best. The first has addressed its elevated “non-accruals” by restructuring some debt loans into equity stakes – but with little improvement in ultimate recovery value from these distressed assets in our view. The second has cut its external management fee (a cost in the company’s P&L) in order to give a short-term boost to cash flow, helping it service interest and dividend. Falling dividend and interest coverage are very dangerous for BDCs. These vehicles are highly regulated and stand to lose tax advantages if they fail to pay a large proportion of P&L earnings as dividend; and needless to say, as levered and capital intensive businesses, their access to credit is fundamentally important to them. A credit rating downgrade could stem growth and potentially create a vicious de-leveraging cycle or balance sheet event for the BDC equity. We expect to see further operational weakness from these names and this sector.

Research from Lincoln International continues to suggest to us that its borrower base of highly levered, private equity-sponsored corporates continues to struggle under double-digit % all-in debt costs which are roughly double the pre-2022 paradigm, as the buffer from liquidity taken out in the good years starts to fade, and as the notorious refi wall looms nearer. The charts in the macro section illustrate some of the private equity struggles and challenges that we are witnessing. We made money on our private equity shorts during the quarter with **Partners Group**, **EQT** and **Blackstone** the main contributors.

Rivian cost the fund -1.73% after the shares rallied post an announced tie up with VW. This will involve \$5bn of dilutive capital coming from VW over the next few years. We have seen previous capital raises with Amazon and Ford that have ultimately led to little. What Rivian first needs to prove is that it can sell a car for more than it costs to make it, a challenge which we feel the market, on 2x times 2025 sales, is too optimistic about.

Positioning

Although the fund has positive market exposure, this has been a relatively unimportant driver of performance, hence the low correlation we have seen to the market in recent years. Many of our stock positions continue to be very idiosyncratic and move independently to the market. The fund continues to have a strong value bias as shown in the table below.

Exhibit 16: Median valuation metrics of WS Lancaster Absolute Return (LAR) long and short books and the MSCI World Index (market cap weighted)

	Forward P/E	Forward EV/EBIT	Forward EV/Sales
LAR long book	11.7 x	8.6 x	0.9 x
LAR short book	19.6 x	19.8 x	7.9 x
MSCI World	20.2 x	17.0 x	2.7 x

Source: Bloomberg, Lancaster Investment Management

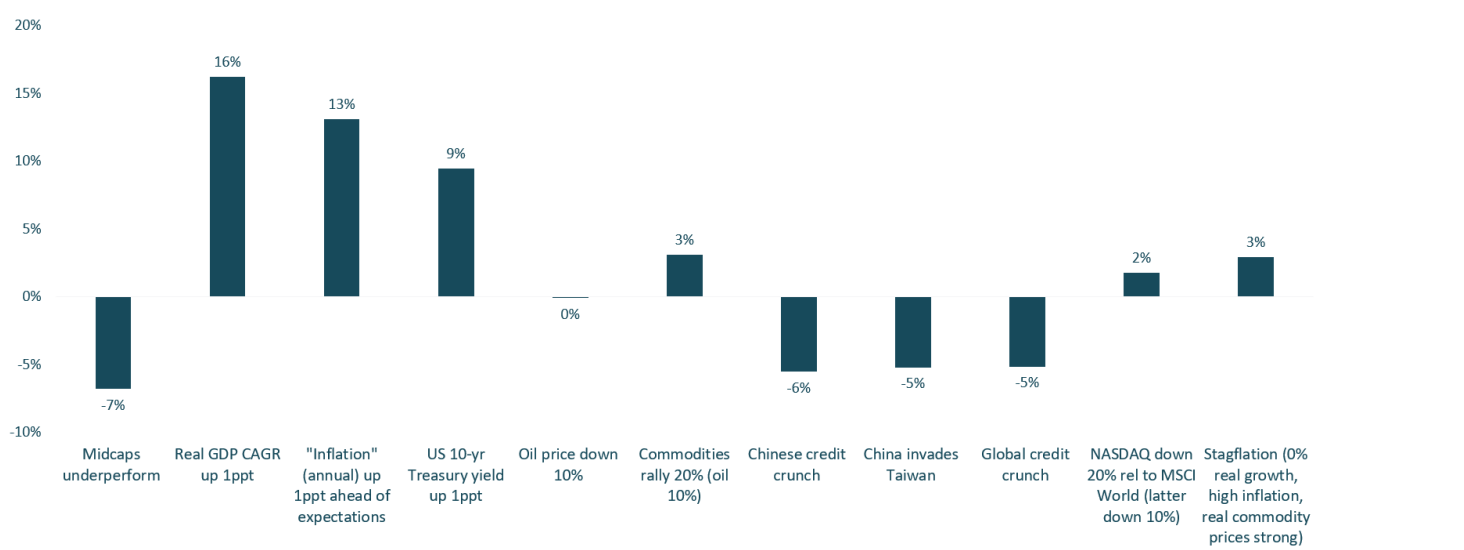
The fund also continues to have strong overweight to Europe and in particular the UK stock market and underweight to the US stock market. It is important to stress that our UK overweight is only partly a reflection of domestic UK stocks, a large part of this exposure comes from international companies listed on the UK market. This positioning is predominantly driven by bottom up stock opportunities rather than us taking a strong macro view.

During the quarter we passed the fund’s 15 year anniversary. We have generated annual after fee returns of just under 12% with a low correlation to the market. The longer our track record the more useful our data becomes. In the next quarterly we intend to share some of the more detailed performance breakdown over the fund’s history and show stylistically where we have added and detracted value. We obsess about interrogating the fund’s performance data and trying to learn and improve from it. Yes we want to reduce our mistakes and negative biases but we also want to do more of what we are good at.

Conclusion

On a forward-looking basis we feel there is a strong chance that the factor biases in the fund will prove to be less of a headwind than they have been over the past few years (maybe they even help us!). With the investment team we have in place and the operational setup we have at Lancaster we are optimistic that the next 15 years can be at least as good as the last 15 years. Certainly we like the start point today where many of our top long positions have suffered a significant de-rating over the past few years despite being in good operational health and where 42% of our long book is buying back shares. Thank you as ever for your continued support and we look forward to updating you further on our quarterly call.

Exhibit 17: WS Lancaster Absolute Return (LAR) | Estimated factor return as at 9-Jul-24



Source: Lancaster IM unaudited internal data & Bloomberg, as at 30-Jun-24. Note: Assumes current currency hedging; The information above is an estimation of the expected factor return; Lancaster may make investment decisions that are inconsistent with these views expressed in this communication. The chart above presents projections of future performance. These projections are based on a number of assumptions that may or may not prove to be accurate. Future performance is subject to a wide range of significant risks. As a result, there can be no assurance that the projections in the chart above will prove to be accurate.

James Hanbury & Jamie Grimston

WS Lancaster Absolute Return Fund

Net Performance (GBP)

	1-month	3-month	1-year	3-year	5-year	YTD	Inception	Inception CAGR
Fund	-3.1	7.1	12.0	16.4	78.5	8.5	411.3	11.4
MSCI Daily TR Net World	2.7	2.5	20.9	33.2	75.2	12.8	493.2	12.5
Relative	-5.9	4.6	-8.9	-16.7	3.3	-4.3	-81.9	-1.1

Yearly Trailing Performance (net)

1-year to	30-Jun-24	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
Fund	12.0	2.6	1.4	41.4	8.4
MSCI Daily TR Net World	20.9	13.5	-2.9	24.7	5.5
Relative	-8.9	-10.9	4.3	16.7	3.0

Monthly Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.6	-2.0	2.9	9.7	0.8	-3.1							8.5
2023	6.2	-0.3	-1.3	-0.1	-7.7	-7.1	-0.4	2.9	4.0	-1.8	-4.1	2.7	-7.8
2022	9.6	-10.9	-7.0	10.3	8.1	-11.1	-0.8	1.6	-6.3	8.1	11.7	0.7	10.7
2021	-12.5	21.3	1.1	2.8	4.2	-9.0	-0.8	2.1	8.9	-7.6	-8.6	12.9	9.9
2020	-5.4	-6.9	-10.6	10.1	6.9	3.0	-6.1	13.2	-4.4	6.6	22.8	1.6	29.1
2019	6.8	-4.9	0.3	-1.7	3.1	-5.3	-4.1	0.7	0.3	4.2	2.2	10.1	11.1
2018	-0.3	0.7	0.9	4.8	3.2	0.3	2.6	-5.6	1.8	0.4	2.8	-7.3	3.8
2017	1.2	-3.4	0.0	1.6	2.9	0.6	-1.3	7.1	0.9	1.4	-1.6	-6.0	2.9
2016	-3.8	5.3	-5.2	-3.6	4.4	2.1	-2.0	-1.2	0.4	-8.9	-1.1	-4.8	-17.8
2015	-2.6	-2.3	1.1	5.6	-5.4	5.0	1.4	1.0	-1.2	4.5	-0.6	1.4	7.6
2014	0.4	3.0	-1.7	-4.7	1.4	-3.0	-0.5	0.3	3.6	2.4	3.2	1.5	5.5
2013	6.7	3.0	1.2	2.0	7.9	1.2	3.5	1.1	4.9	1.8	2.0	3.0	45.6
2012	6.9	8.9	2.3	-1.2	-3.2	3.7	0.9	3.6	3.0	4.1	1.4	2.3	37.2
2011	7.5	2.8	1.7	1.0	2.4	-1.1	-1.1	-10.9	1.0	3.8	-2.9	0.3	3.5
2010	-0.5	-0.5	0.8	2.9	-2.5	-4.7	3.4	-4.8	9.2	2.4	2.8	7.2	15.7
2009					3.9	2.0	2.3	6.3	8.8	-1.4	-1.0	0.5	22.9

Fund details¹

£ I Class	511.28
£ R Class	477.08
\$ I Class	2.86
€ I Class	2.75
Fund Size	£357 million
Strategy AUM	£672 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	UK Long Short UCITS
Comparators	Primary: Cash Secondary: MSCI World Net TR Daily GBP
Base Currency	£

Team & contact details

Portfolio Managers

James Hanbury
Jamie Grimston

Enquiries

T: +44 (0)20 7842 1030
E: reporting@LancasterIM.co.uk
W: LancasterIM.co.uk

Lancaster Investment Management, Yalding House, 152-156 Great Portland St., London, W1W 6AJ

Top 10 Long Equities

	% NAV
Plus500	9.4%
Frasers Group	9.3%
Ubisoft Entertainment	9.2%
IWG	8.1%
Liberty Global	4.6%
Hargreaves Lansdown	4.6%
NatWest Group	4.5%
National Grid	4.5%
AO World	4.5%
Deutsche Bank	4.4%

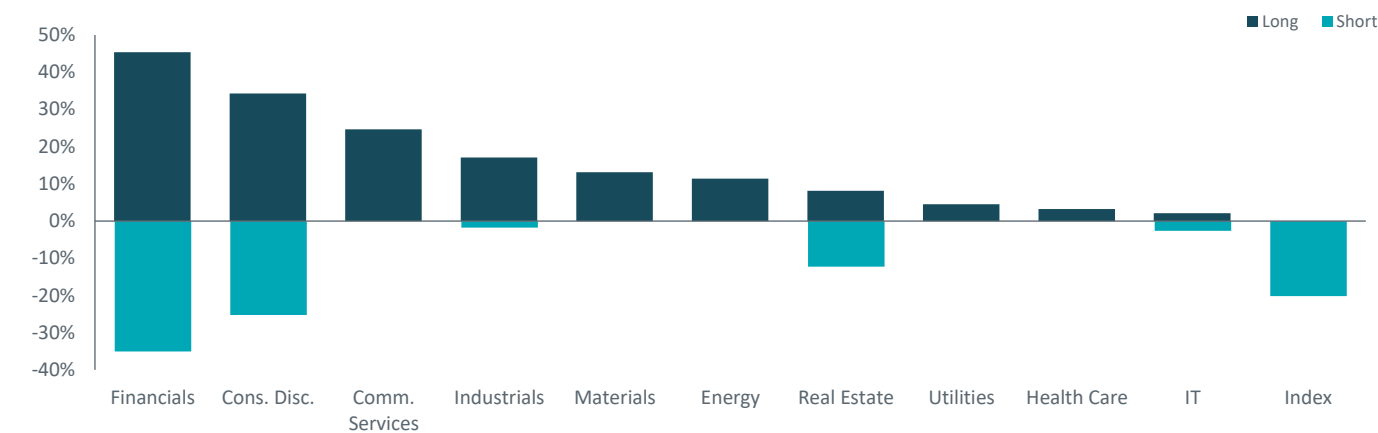
Portfolio Characteristics

Long position count	51
Short position count	33
Total gross exposure	265%
Total net exposure	62%
Gross long exposure	164%
Gross short exposure	-102%
Beta adj. net (2 year)	23%

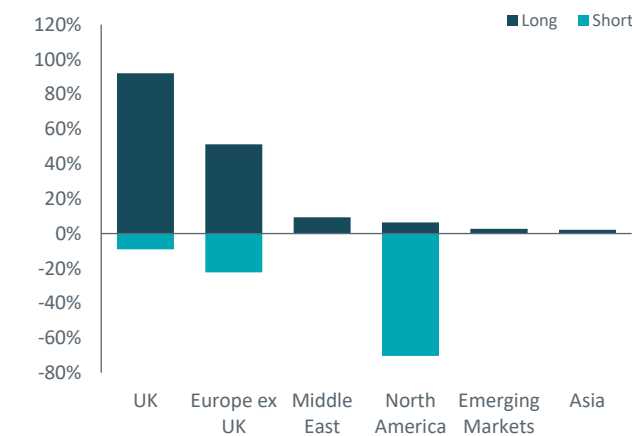
Important information

These figures refer to the past. Past performance is not a reliable indicator of future results. This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available upon request from Lancaster IM. The performance calculation shown is based on the GBP I share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

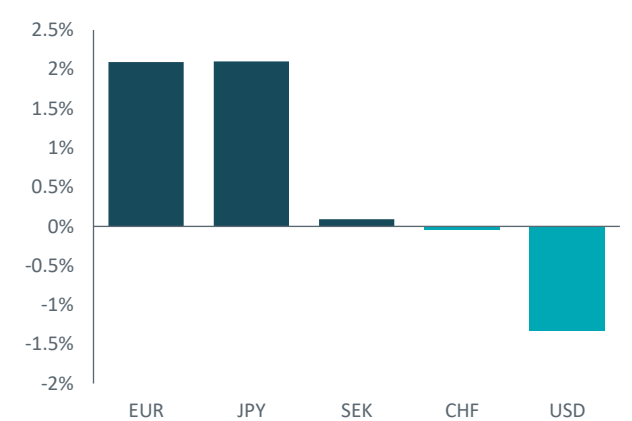
Equity exposure by sector



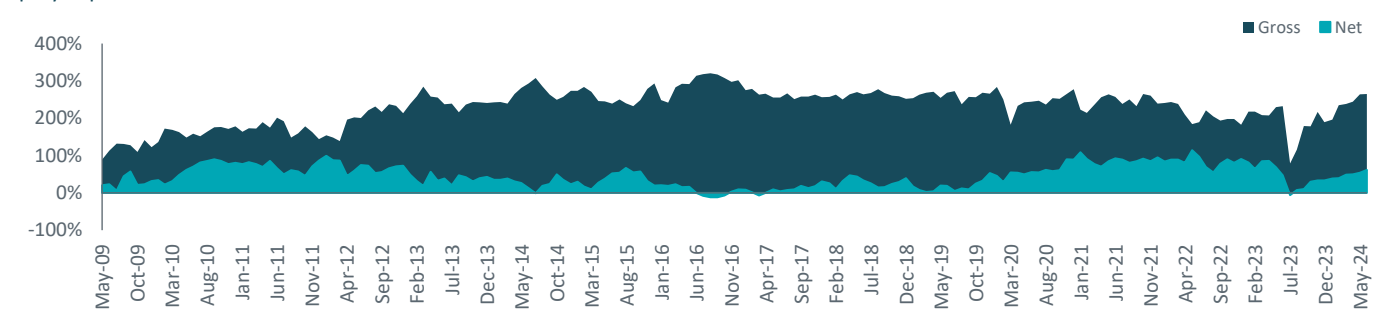
Equity exposure by geography



Non-base currency exposure



Equity exposure



Allocation figures are taken at close of business whereas Fund performance is taken at 10am. Equity exposure includes all equity related instruments. Government Bond exposure can be provided on a ten-year adjusted basis. Currency exposure shows non-base currency through forward currency contracts and portfolio holdings. Commentary is provided on a quarterly basis. Equity exposure as classified by GICS. The fund was renamed from LF Brook Absolute Return Fund to WS Lancaster Absolute Return in Q3-23 on the back of the Investment Management Agreement transferring to Lancaster Investment Management LLP and also Waystone acquiring Link Financial Services. All performance in GBP.

Source: All sources, unless otherwise stated, are Lancaster internal unaudited data and refer to the £ I share class. All data shown as at 30 Jun 2024. ¹Waystone and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

Investment objective and policy

The WS Lancaster Absolute Return Fund ('The Fund') aims to achieve a positive absolute return on a 12 month rolling basis 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 Investment Manager seeks to achieve this objective through managing a portfolio of securities, bonds and currencies and related financial instruments.

Approach

The strategy is fundamentally driven global equity long short and built around three core principles; investing in fundamentally sound companies, disciplined short selling, and diversification, which is an essential tool in risk management. On the long side, the approach is valuation driven with a particular focus on sustainable free cash flow generation. On the short side the portfolio is stock-specific. The strategy harnesses the experience and judgement of James Hanbury, his investment team and the wider equity research resource at Lancaster Investment Management. While the team invest for the medium to long term, they continuously resize positions to ensure the portfolio remains focused on their highest conviction ideas. The Fund is built without formal reference to an index and typically contains 30-40 positions both long and short with a higher concentration in the top 10 positions.

Risk Considerations

The Fund is actively managed and has considerable latitude over its allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. The Fund may hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser. The Fund's prospectus has detailed descriptions of the Fund's risks. Before investing, please refer to the fund prospectus and to the applicable KIID/KID before making any final investment decisions. You can get free copies from the Investment Manager at reporting@LancasterIM.co.uk or the website of the Authorised Corporate Director: <https://www.fundsolutions.net/uk/lancaster-investment-manager/ws-lancaster-funds/ws-lancaster-absolute-return-fund/>

Investor information			
Share classes	R (£), I (£, €, \$) Acc.		
Share class hedging	Non-base currency share classes are hedged		
Trade date	Daily		
Dealing	Forward to 10am		
Valuation	10am		
Front end fee	Up to 4%		
Annual management fee	R 1.25%, I 0.75%		
Ongoing charge	R 1.40%, I 0.97%		
Performance fee basis	20% of the increase in the value per share of the fund between the beginning and the end of the year. Fees crystallise annually. Losses carried forward.		
Anti-dilution fee	May apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur		
Minimum investment	R £5,000; I £1,000,000		
Dividends	Accumulation shares only		
Authorised Corporate Director (ACD)	Waystone		
Auditor	Ernst and Young LLP		
Prime Broker	Morgan Stanley		
Custodian	BNY		
Price reporting	Prices published daily on lancasterim.co.uk , Bloomberg and by other third party data providers.		
ISIN	R: GB00B55NGR79, £I: GB00B55NGS86, €I: GB00B3SX1S66, \$:GB00B3Z00X80		
SEDOL	R: B55NGR7, £I: B55NGS8, €I: B3SX1S6, \$:B3Z00X8		

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