LANCASTER
INVESTMENT MANAGEMENT

# Lancaster European Equity

September 2024

The fund returned 0.57% in September versus the SXXR at -0.34%. The portfolio outperformed the market during the month despite a large move up in Zalando only partly covering losses in Ubisoft. The latter is discussed at length in our Q3 letter. Zalando appears to be seeing the H2 acceleration in top line that the company promised, based on industry data and the company's pre-close calls with the sell-side; we await Q3 numbers for confirmation. More broadly, the market demonstrated some early signs of rotation in favour of our holdings as momentum headwinds subsided and more positive news emerged from China. Autos aside, European industrials had a better month on both the reality and perception of their connection to China. Fuchs, very much a global business, was one such name and amongst the top performers. Fuchs is the largest independent manufacturer of specialist lubricants and greases globally, supplying mission critical but low-cost products to a very wide range of customers. The shares trade at a 30% discount to the 15-year historic average EV/Sales despite our high conviction that the business is strategically better positioned today than at any point in its past; a net cash balance sheet and the quality of the business affords us the room to be patient. Two of our auto supplier names, Brembo and Autoliv, fell on the series of OEM warnings. While we believe both companies to be insulated from the ICE/EV debate (they are both powertrain agnostic), any debate or disruption that slows auto volumes in the short term is clearly unhelpful.

**Performance (net)**

| | Fund | STOXX* | MSCI* |
|---|---|---|---|
| Return on month | 0.57% | -0.34% | -0.68% |
| YTD return | 5.41% | 11.73% | 10.94% |
| 1 year return | 17.23% | 19.22% | 17.16% |
| 3 year return | 37.69% | 24.35% | 23.52% |
| 5 year return | 100.57% | 50.19% | 45.30% |
| 10 year return | 163.36% | 97.81% | 95.68% |

**Trailing CAGR (net)**

| | Fund | STOXX* | MSCI* |
|---|---|---|---|
| 3 year | 11.25% | 7.53% | 7.30% |
| 5 year | 14.94% | 8.47% | 7.76% |
| 10 year | 10.17% | 7.06% | 6.94% |

Performance quoted net of fees based on the most invested open share class (Class A/1$)

**Exposure**

| | |
|---|---|
| Cash | 3.0% |
| Average market cap ($ millions) | 16,603 |
| Number of positions | 28 |

**Leverage**

| | |
|---|---|
| Gross method | 1.7 |
| Commitment method | 1.0 |

**Top 3 Positive Contributors**

Zalando
Fuchs
Weir Group

**Top 3 Negative Contributors**

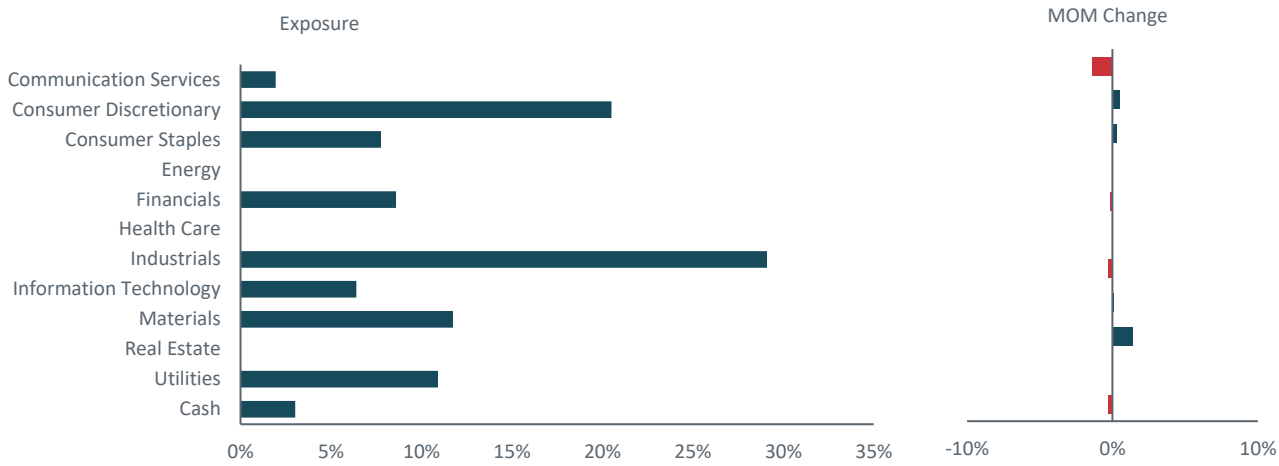
Ubisoft Entertainment
Spectris
Campari

**Top 5 Longs**

| | |
|---|---|
| Weir Group | 5.8% |
| Ryanair | 5.2% |
| Spectris | 5.2% |
| National Grid | 4.7% |
| Zalando | 4.0% |
| **Total** | **24.9%** |

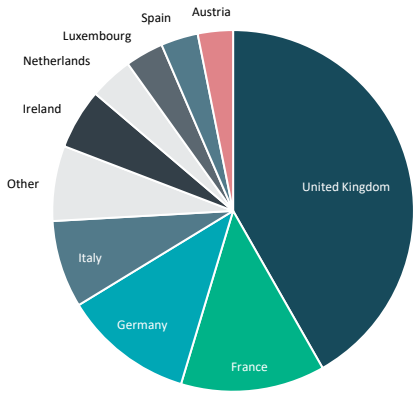
* STOXX Europe 600 Net Return (SXXR), MSCI Europe Net Return (NDDLE15)

## Sector Exposure



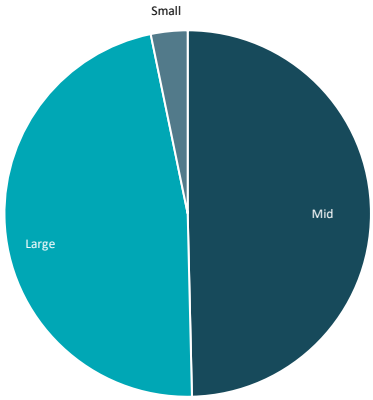

Source: Lancaster Investment Management

## Country Exposure

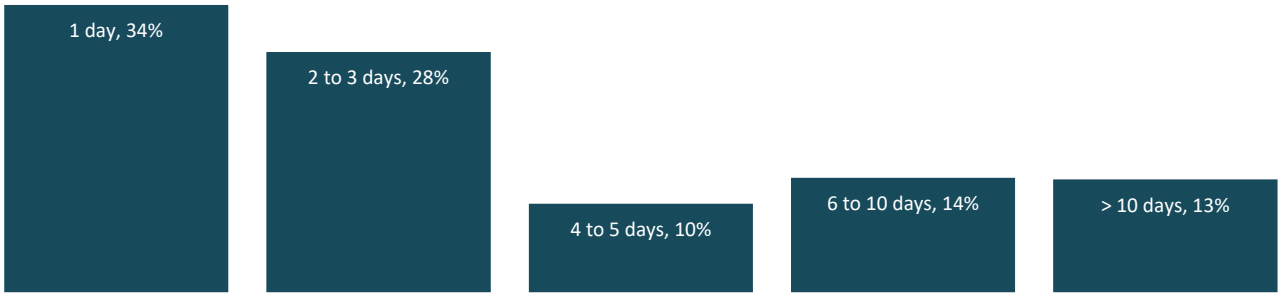



Source: Lancaster Investment Management

## Market Cap




## Liquidity

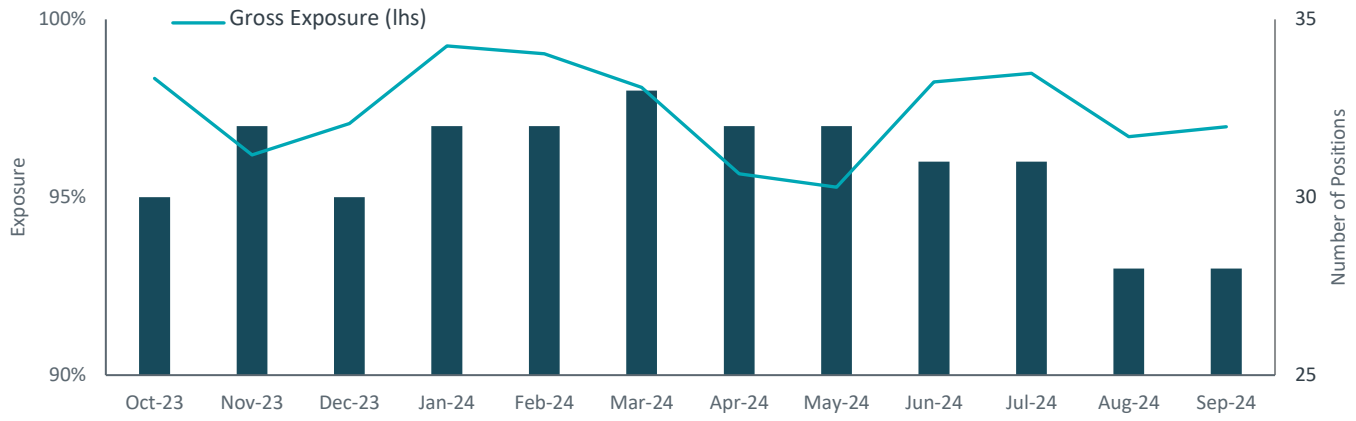



Days to liquidate 100%: 30

Source: Lancaster Investment Management, Bloomberg

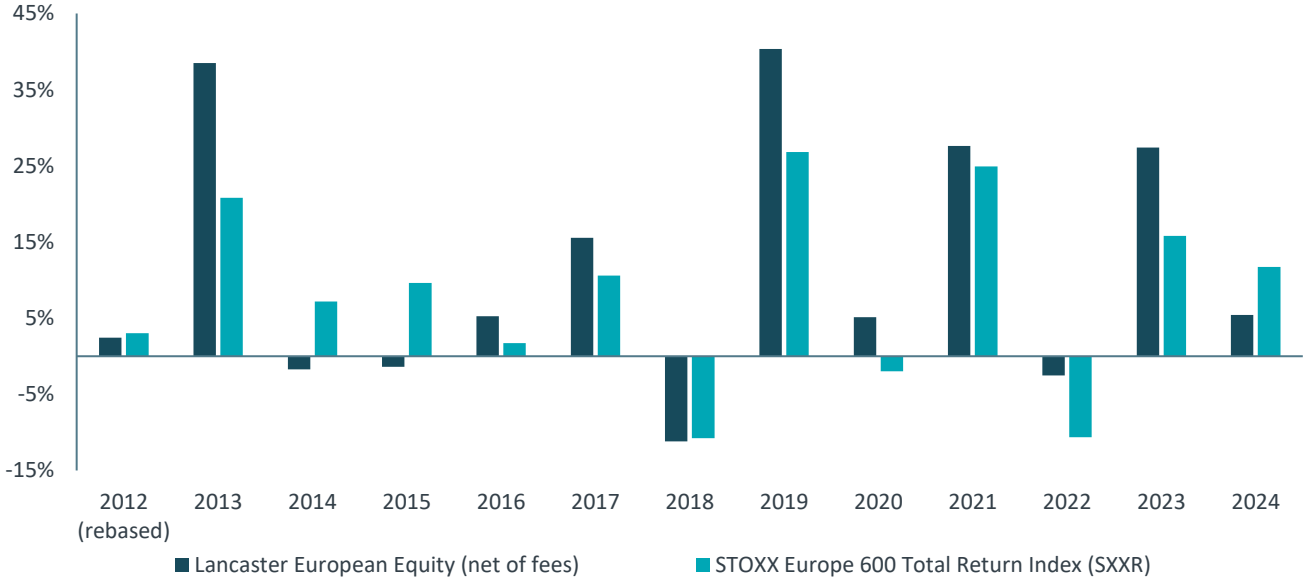
*Graphs for illustrative purposes only*

## Portfolio Composition




Source: Lancaster Investment Management

## Fund Performance (net)




Source: Lancaster Investment Management, Bloomberg

## Historical Performance (net)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2024** | -0.64% | -1.78% | 5.70% | 1.36% | 1.57% | -4.40% | 1.99% | 1.23% | 0.57% | | | | **5.41%** |

| | YTD | 2023 | 2022 | 2021 | 2020 | 2019 | Inception |
|---|---|---|---|---|---|---|---|
| Lancaster European Equity | 5.41% | 27.41% | -2.53% | 27.62% | 5.11% | 40.34% | **266.11%** |
| STOXX Europe 600 Net Return (SXXR) | 11.73% | 15.80% | -10.64% | 24.91% | -1.99% | 26.82% | **163.45%** |
| MSCI Europe Net Return (NDDLE15) | 10.94% | 14.30% | -8.54% | 22.61% | -2.21% | 23.75% | **157.69%** |

Performance quoted net of fees based on the most invested open share class (Class A/1$). Other share classes with higher fees exist, please refer to the PPM for full details. Full monthly performance available on request.

LANCASTER
INVESTMENT MANAGEMENT

## Lancaster European Equity Details

| | | | | |
|---|---|---|---|---|
| **Launch date** | October 2012 | | | |
| | **Class A/1** | **Class C/3** | **Fund Structure** | Cayman Master Feeder: Cayman Ltd, Delaware LP |
| **Redemptions** | Monthly | Monthly | | |
| **Notice Period** | 60 days | 60 days | **Administrator** | Morgan Stanley Fund Services |
| **Minimum Investment** | $5,000,000 | $5,000,000 | **Auditor** | Ernst & Young |
| **Management Fee** | 1.00% | 0.75% | **Prime Brokers** | Goldman Sachs, Morgan Stanley |
| **Performance Fee** | None | 10.0%* | **Legal Advisors (UK)** | Schulte Roth & Zabel |
| **Lockup Period** | None | None | **Legal Advisors (US)** | Schulte Roth & Zabel |
| **Subscriptions** | Monthly | Monthly | **Legal Advisors (Cayman)** | Walkers |
| **Gate** | None | None | **Contact Details** | **Rory Hayward**<br>rory.hayward@lancasterIM.co.uk<br>+44 20 7842 1050<br>**Lucy Purslow**<br>lucy.purslow@lancasterIM.co.uk<br>+44 20 7842 1048 |

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

## Important Legal Information and Disclaimer

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

This material has been prepared by LIM. LIM may provide you with further data or material but makes no representation that such further data or material will be calculated or produced on the same basis, or in the same format, as this material. LIM has used reasonable skill and care in the preparation of this material from sources it believes to be reliable but Lancaster gives no warranties, representations or undertakings, express or implied, as to the accuracy or completeness of this information, and Lancaster accepts no liability for the accuracy or completeness of any such information. This material has been provided specifically for the use of the intended recipient only and must be treated as proprietary and confidential. It may not be passed on, nor reproduced in any form, in whole or in part, under any circumstances without express written consent from LIM.

This material is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase any of the products or services mentioned nor is it intended to constitute, or be construed as, investment advice. Any such offer may only be made by means of delivery of the relevant approved prospectus or offering memorandum (the "Prospectus"). The Prospectus must be received and reviewed prior to any investment decision. The material provided is not intended to provide a sufficient basis on which to make an investment decision. Potential investors in the Funds referred to in this material or to which this material relates should seek their own independent financial, legal and taxation advice.

The Funds are only available to persons to whom such products may lawfully be promoted in any jurisdiction. Interests in the Funds have not been and will not be registered under any securities laws of the United States of America or any of its territories or possessions or areas subject to its jurisdiction, and may not be offered for sale or sold to nationals or residents thereof except pursuant to an exemption from the registration requirements of the US Securities Act of 1933, as amended (the "Securities Act"), and any applicable state laws. This material is only provided to United States persons that are "accredited investors" as defined in Regulation D under the Securities Act and "qualified purchasers" as defined in the US Investment Company Act of 1940, as amended (the "Company Act"), and the rules promulgated thereunder. In the United Kingdom, this material is issued only to and/or directed only at Professional Clients and Eligible Counterparties (as defined in the FCA's Handbook of Rules and Guidance (the "FCA Rules")). Any Funds and services described in this material are only available to such persons and the information herein should not be relied or acted on by any other person. Moreover, any investment or service to which this material may relate is not intended for Retail Clients and will not be made available to Retail Clients.

LIM does not provide investment advice to investors or potential investors in any Funds.

An investment in the Funds is speculative and involves a high degree of risk, which each investor must carefully consider. LIM and its affiliates give no representations, warranties or undertakings that any indicative performance or return will be achieved in the future or that the investment objectives and policies from time to time of the Funds will be met. Past results are not indicative of future results. The value of investments and the income therefrom can go down as well as up, and an investor could lose all or a substantial amount of his or her investment. While the Funds are subject to market risks common to other types of investments, including market volatility, the Funds employ certain trading techniques, such as the use of leverage and other speculative investment practices that may increase the risk of investment loss. The Funds' managers will receive performance-based compensation. Investments in the Funds are subject to periodic liquidity, which may be suspended under certain conditions, as well as restrictions on transfer. There is no secondary market for interests in the Funds, and none is expected to develop. Therefore, any person subscribing for an investment must be able to bear the risks involved and must meet the suitability requirements set forth in the relevant Fund's Prospectus. Some or all alternative investment programs may not be suitable for certain investors. Returns generated from an investment in a Fund may not adequately compensate investors for the business and financial risks assumed.

The text and statistical data or any portion thereof contained in this document may not be permanently stored in a computer, published, rewritten for broadcast or publication or redistributed in any medium, except with the express written permission of LIM. Lancaster will not be liable for any inaccuracies, errors or omissions in the material or in the transmission or delivery of all or any part thereof or for any damage arising from any of the foregoing.