LANCASTER
INVESTMENT MANAGEMENT

# Lancaster European LS Equity

## October 2024

The fund's net return was -0.81% in October. The long book performed marginally better than a weak European market, while the short book had a strong month with a number of good performers. A combination of uncertainty about the outcome of the US election, doubts on China stimulus, and a lukewarm UK budget unsettled investors. Ubisoft recovered some of its losses as the company announced it was exploring strategic options. These may include a sale of the company or some of its IP. Ryanair also continued its share price recovery from the Q2 profit warning. Management have turned more bullish on pricing, increasingly attributing the period of weak yields to their decision to cut off some of the online travel agencies at the end of last year. The delays to Boeing deliveries for the company, and wider industry, may actually prove a blessing for profit growth given capacity constraints. Campari was the worst performing long in the month. Q3 proved a lot weaker than we expected as industry destocking continued. We have continued to grow the position. Our position in a testing services business was the largest short contributor; a combination of a weak Q3 trading update and the results of an independent audit into cash balances weighed on the shares. On the latter point, the positive headlines distributed by the company were at odds with the heavily caveated findings of the independent auditor. We added to the position. Another significant contributor on the short side was our position in a European IT services business. Our thesis has started to play out with a disappointing ad-hoc Q3 trading update and removal of 2024 guidance. While the company points to end-market uncertainties, we are acutely aware that the company is lapping a change to revenue recognition and backlog definition that may compound cyclical headwinds, and as such remain short.

| **Performance (net)** | |
|---|---|
| Return on month | -0.81% |
| Return YTD | 0.92% |
| 1 year return | 9.38% |
| 3 year return | 34.92% |
| 5 year return | 79.26% |
| 10 year return | 133.11% |

| **Trailing CAGR (net)** | |
|---|---|
| 3 year | 10.50% |
| 5 year | 12.38% |
| 10 year | 8.83% |

Performance quoted net of fees based on the most invested share class (Class B$)

| **Exposure** | |
|---|---|
| Gross | 141.9% |
| Net | 56.5% |
| Long | 99.2% |
| Short | -42.7% |

| **Portfolio Characteristics** | |
|---|---|
| Long position count | 30 |
| Short position count | 24 |
| Gross leverage method | 2.0 |
| Commitment leverage method | 1.4 |

| **Top 3 Positive Contributors** |
|---|
| Ubisoft |
| Healthcare (short) |
| Information Technology (short) |

| **Top 3 Negative Contributors** |
|---|
| Campari |
| RS Group |
| Michelin |

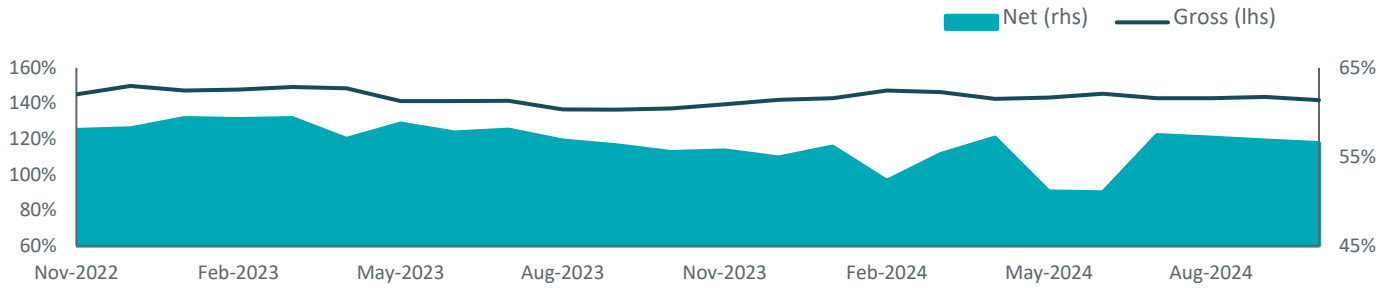
| **Top 5 Longs** | |
|---|---|
| Ryanair | 5.7% |
| Weir Group | 5.3% |
| Spectris | 5.0% |
| National Grid | 4.4% |
| Signify | 4.2% |
| **Total** | **24.6%** |

| **Top 5 Shorts** | |
|---|---|
| Industrial | -3.0% |
| SPX Option | -2.8% |
| Consumer Staple | -2.6% |
| Industrial | -2.5% |
| Consumer Discretionary | -2.5% |
| **Total** | **-13.4%** |



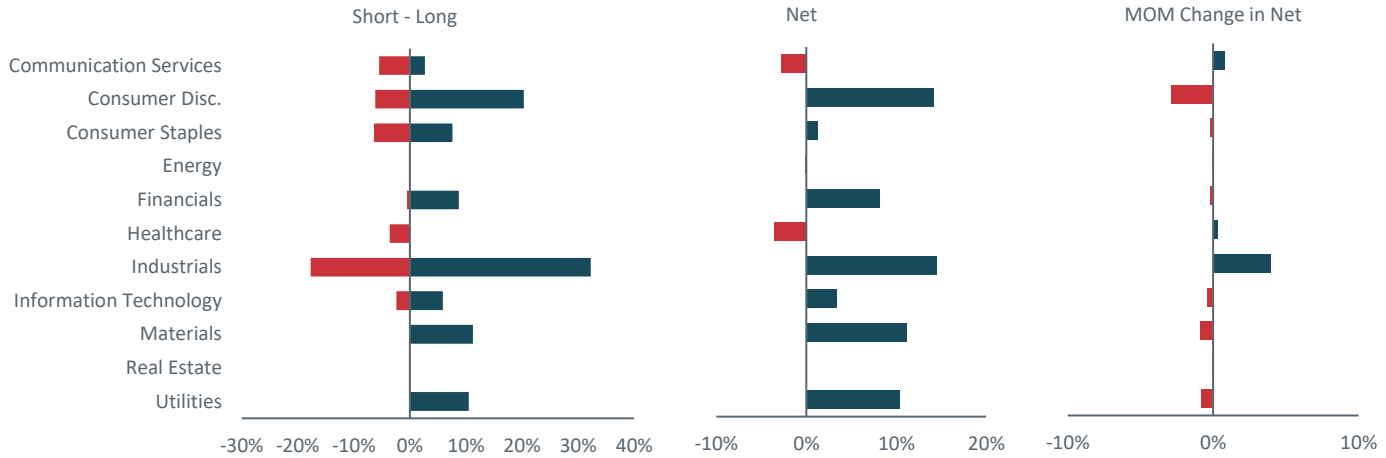
All data sourced from Lancaster Investment Management and Bloomberg

## Rolling 24 Month Gross and Net Exposures



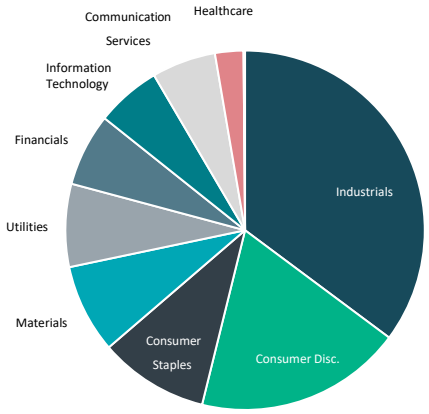

Source: Lancaster Investment Management

## Sector Exposure

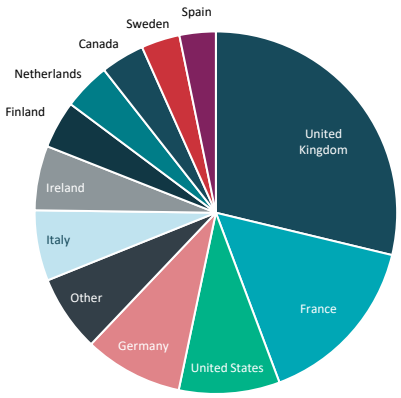



Source: Lancaster Investment Management

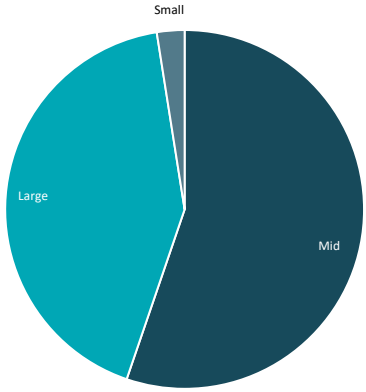
## Sector




## Country



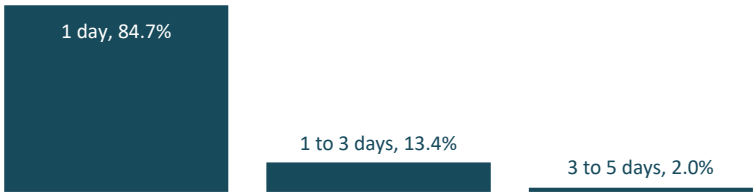

## Market Cap




Source: Lancaster Investment Management

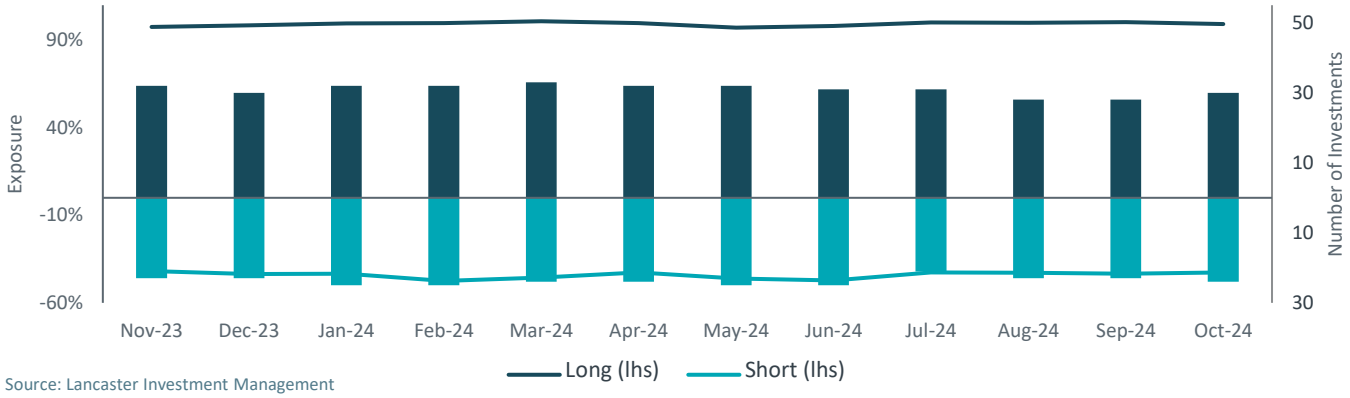
*Charts for illustrative purposes only*

## Liquidity



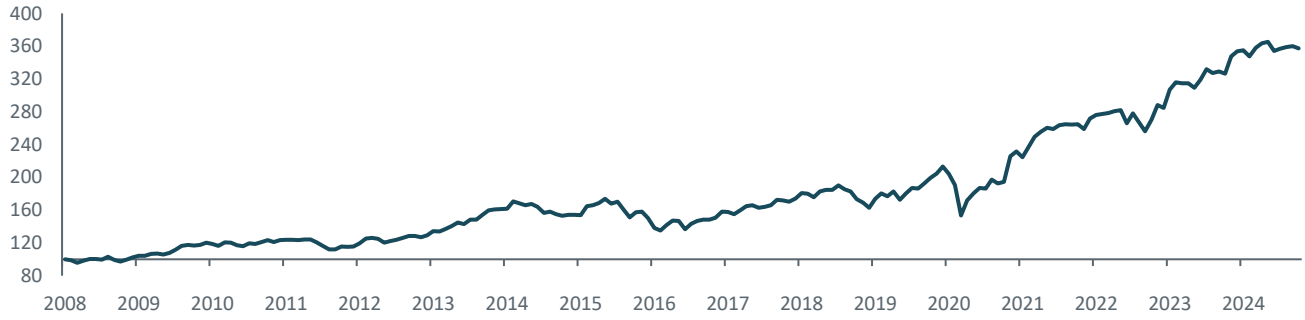

Source: Lancaster Investment Management, Bloomberg

## Portfolio Composition




Source: Lancaster Investment Management

## Fund Performance (net)




Source: Lancaster Investment Management

## Historical Performance (net)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2024** | 0.29% | -2.10% | 3.12% | 1.42% | 0.52% | -3.01% | 0.75% | 0.51% | 0.35% | -0.81% | | | **0.92%** |

| | YTD | 2023 | 2022 | 2021 | 2020 | 2019 | Inception |
|---|---|---|---|---|---|---|---|
| Lancaster European LS Equity | 0.92% | 24.23% | 4.88% | 17.27% | 8.64% | 31.01% | **257.09%** |
| STOXX Europe 600 Net Return (SXXR) | 8.08% | 15.80% | -10.64% | 24.91% | -1.99% | 26.82% | **151.07%** |
| MSCI Europe Net Return (NDDLE15) | 7.80% | 14.30% | -8.54% | 22.61% | -2.21% | 23.75% | **138.54%** |

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



All data sourced from Lancaster Investment Management and Bloomberg

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## Lancaster European LS Equity Details

| | | | | |
|---|---|---|---|---|
| **Launch date** | February 2008 | | | |
| | **Class A** | **Class B** | **Fund Structure** | Cayman Master Feeder: Cayman Ltd, Delaware LP |
| **Redemptions** | Monthly | Quarterly | | |
| **Notice Period** | 30 days | 60 days | **Administrator** | Morgan Stanley Fund Services |
| **Minimum Investment** | $5,000,000 | $5,000,000 | **Auditor** | Ernst & Young |
| **Management Fee** | 1.25% | 1.0% | **Prime Brokers** | Goldman Sachs, Morgan Stanley, UBS |
| **Performance Fee** | 20.0% | 17.5%* | **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 |

* Payable over multiple years – please see offering documents

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