

WS Lancaster Global Equity

Portfolio Manager Q1-25 Report

Summary

- The fund returned -3.56% net of fees for the quarter vs a decline of -4.74% for the MSCI World Net Total return (GBP) index.
- At a high level, the portfolio benefited from its geographical underweight to America and an overweight to pan-Europe. That said, domestic UK exposure is meaningful for the fund and the FTSE 250 was down -5.03% in the quarter.
- We feel there is a reasonable chance that the market is at a very important juncture. This could lead to a multi-year change in its leadership after a decade in which US mega-caps have been driving most of the performance. Valuations in Europe are down towards the lower end of their long-run range, whereas the reverse is the case for American markets.
- At the same time, economic momentum is slowing in the US for the first time in some years, and it is not yet clear that the Fed will be able to cut rates rapidly in response if the Trump tariffs lead to heightened inflationary pressures. At a stock-specific level, there are also risks that have become apparent with many of the Magnificent Seven that were not being considered only a few months ago. We discuss these in more detail below.
- Conversely, rates have already fallen significantly in Europe and a meaningful peace agreement between Ukraine and Russia could provide an additional impetus to European markets. It could result in lower energy costs, lower interest rates, higher animal spirits, greater construction activity, investment flows back into the region and ultimately lower equity risk premiums. A substantial fiscal boost to fund increased defence spending is also on the cards in Germany.
- In April equity markets have so far been extremely volatile as they digest Trump's tariff announcements. This backdrop will no doubt develop rapidly, e.g. as bilateral trade deals are signed with individual countries.

Performance

-3.6% Quarterly performance
-3.6% Year-to-date performance
7.8% CAGR since inception

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

Fund details¹

£ I Acc Class	269.72
£ I Inc Class	234.97
£ R Inc Class	5222.47
£ R Acc Class	100.52
Fund Size	£60 million
Strategy AUM	£627 million
Fund Inception	06 Aug 2001
Class Inception	19 Dec 2011
Fund Type	UK Long Only UCITS
Benchmark	MSCI World Daily Net TR GBP
Base Currency	GBP

Portfolio Managers

James Hanbury
Jamie Grimston

Conclusion

Driven by bottom-up valuations, we continue to be overweight European equities and underweight US listed equities. The book retains its value bias vs the benchmark. As a team, we have had more than 200 company meetings or calls during the quarter and have a strong pipeline of new ideas. Updates from our existing top positions have been particularly encouraging; whilst this was not always reflected by their share prices short term, it adds to our belief that the book is very well set up for the year ahead.

In the following pages we review performance drivers and fund positions in more detail.

Fund objective

The Lancaster Global Equity Fund ("the Fund") is an unconstrained long only fund that invests globally. The Fund will take positions in publicly listed stocks with the aim of achieving absolute returns over a multi-year investment horizon. The strategy is underpinned by deep research undertaken by a team of experienced investment analysts with an average industry tenure of more than 20 years.

The key attributes of the strategy are as follows:

- A concentrated portfolio of best ideas
- A bias in the portfolio to owner-managed businesses with an established history of excellent capital allocation

The Fund primarily invests in equities and may occasionally take positions in fixed income and credit securities.

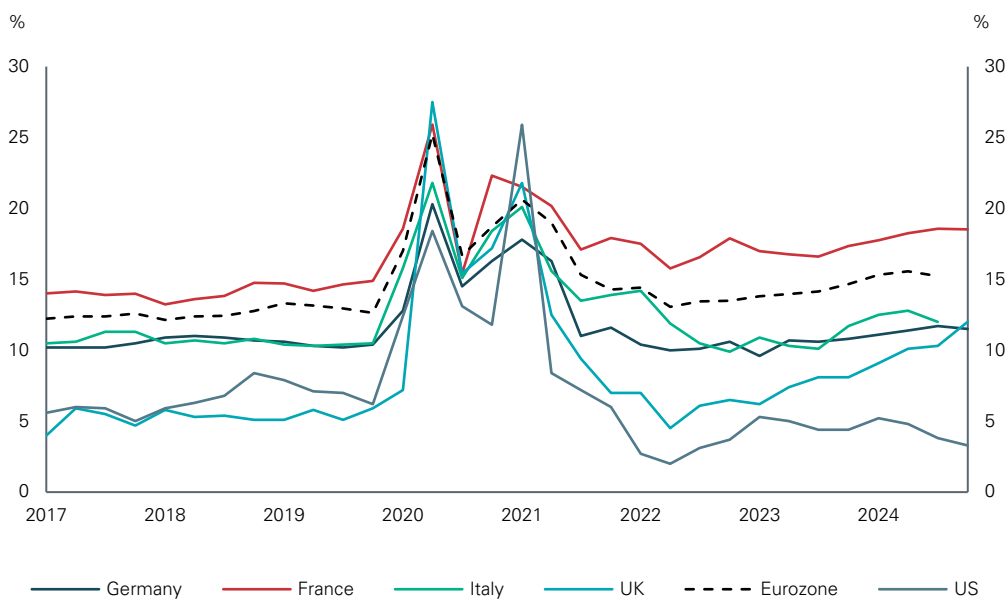
Macro observations

Economic backdrop: so far, the aggressive geopolitical and economic approach of President Trump has created meaningful uncertainty for many economies including the USA. America's new attitude towards Europe is forcing the continent to be more pragmatic with regards to regulation and fiscal spending. These changes will take a while to play out fully but the mood music was already starting to develop with the likes of [Draghi's 2024 report on EU competitiveness](#).

The world is currently trying to understand and digest the extra US tariffs and counter-tariffs and any macroeconomic comments we make today run the risk of looking outdated within a week. Clearly tariffs are not helpful for the global economy, albeit when the dust settles we can see a world where tariffs are meaningfully lower than currently envisaged due to the US having negotiated bilateral agreements with individual countries.

Taking a step back from tariffs, if President Trump can achieve his stated objective of **ending the war in Ukraine**, it should clearly be helpful to Europe by benefiting energy prices, consumer confidence and construction activity. It would be logical to expect European equity risk premiums to fall at that stage. Additionally, the relative position of the European and US savings ratios (see Exhibit 1 below) not only tells a story of sluggish European consumption recently (whereas US consumers have been spending freely and saving much less), but also provides an indicator of how quickly things could change.

Exhibit 1: US, UK and Eurozone Household Saving Rates



Source: HSBC

UK: It is fair to say that we feel more relaxed about the UK macro now that the Labour party is showing that it does understand some key growth drivers. It has contacted all regulators asking them to try to prioritise growth (ironically a change from the previous 14 years under the Conservatives and we saw cuts to state spending in the Spring Statement rather than further increases in taxes). To our mind, UK domestic cyclical equities offer the most attractive risk-return we can find in developed equity markets and it is noteworthy that two of the country's largest retailers (Next and Currys) have upgraded profit guidance in the last couple of weeks. That said, we do not want to be a long UK macro fund on a factor basis, so in order to try and closer isolate idiosyncratic stock risk, we have overlayed a short sterling position against the euro.

Productivity enhancers: One of the other features of the current macro environment is that the cost of labour has been going up ahead of general inflation. We expect this trend to continue in many Western economies, which should lead to capex and opex investments into productivity gains. Our positions in **Zalando** and **Ocado** (new in the quarter) are well set to benefit from this trend.

Performance & positioning

It was encouraging to see many of our theses coming through on our positions. A large amount of the share price performance in the quarter seemed to be driven by whether a stock was included in thematic European baskets or not. This would reconcile with the fact that European large-cap names performed very well in the quarter, whereas our mid-cap names seem to have been left behind by the market and for the time being seemingly immune to what we perceive as positive newsflow.

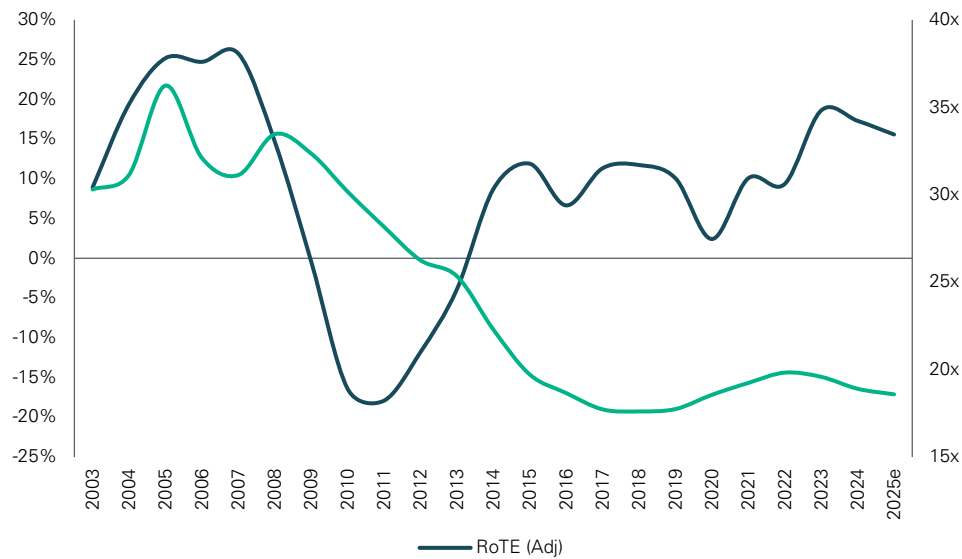
Our continuing observation is that the market has become more inefficient in this respect and that one needs to be more patient to allow fundamentals to be reflected in share prices, whilst also accepting of the fact that corrections can happen in a very extreme manner (see Siemens Energy last year and Eutelsat this year which was up over 500% in a few days). There are many of our names that we feel could move very acutely to the upside in a short period of time.

We believe an important characteristic in this market is to try to take advantage of heightened volatility rather than just following it. This of course is only possible with good risk control, high conviction and a deep level of understanding of stock fundamentals.

In the first quarter the fund detracted -3.56% which represented modest positive alpha. Our top performers were dominated by our continental European large-cap names, while our UK listed names, regardless of their economic exposure, tended to struggle.

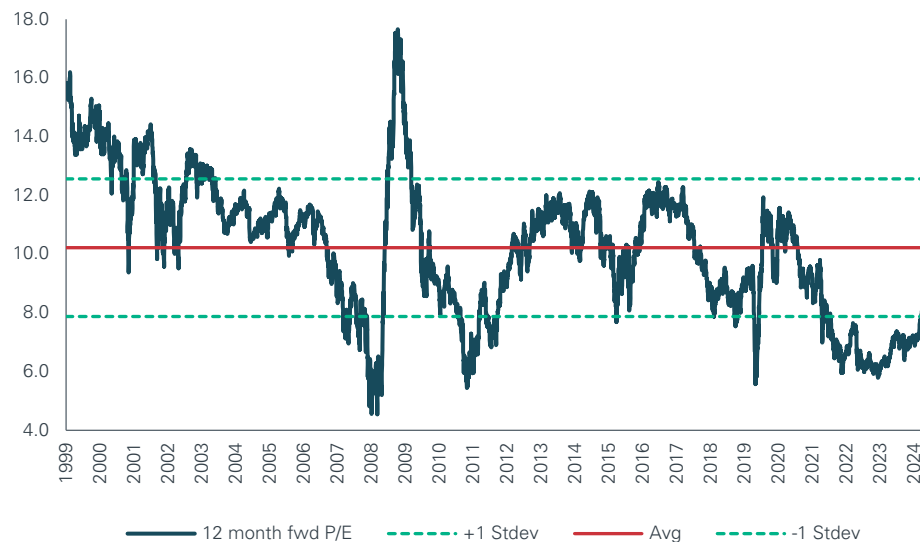
Our switch from having our top bank exposure in the UK in 2024 to Europe in 2025 has so far served us well. European bank names were some of our top contributors (+1.04% as a group) with positions held in **Deutsche Bank**, **Commerzbank** and **Banca Monte dei Paschi**. Part of the reason for the switch was driven by bottom-up valuations but also, while we like **NatWest** as a position in isolation, we find it valuing a much rosier prospect for the UK economy than UK consumer cyclical names which we believe are pricing in a very dramatic recession. Despite European bank names having performed well, they still trade at low valuations compared to long-run averages, despite now generally being higher quality businesses.

Exhibit 2: Adjusted Return on Tangible Equity (left hand axis) vs Leverage (right hand axis) for the STOXX Europe 600 Banks Index



Source: Lancaster IM, Morgan Stanley, Refinitiv

Exhibit 3: 12 month forward PE of the STOXX Europe 600 Banks Index (SX7P)



Source: Lancaster IM, Morgan Stanley, Refinitiv

Plus500 (+0.50%) announced an acquisition in India, Mehta Equities, giving it exposure to another fast-growing futures market. Just like its acquisition of Cunningham in America, Plus500 has acquired a relatively small company which it will then invest in heavily with its own resource and expertise. Capital allocation of this management team continues to impress us: while growing rapidly in new geographies, it continues to return cash through dividends (\$1.5bn returned since the IPO in 2013) and by buying back shares. The share count of Plus500 is down by about 36% over the last seven years and continues to fall. Buying its own shares on a valuation of c. 4x EV/EBIT looks to be a smart choice by the company.

Ubisoft (-0.97%) was a prime example of where our fundamental analysis was at complete odds to that of the market reaction. During the quarter, the company launched one its most important games for many years, Assassin's Creed Shadows. It was well received by critics and on the PlayStation store – which we see is the most authentic consumer review platform for consoles – the game received the highest rating for any Assassin's Creed game. For us, this is an important marker as the company improves its game execution. Towards the end of the quarter, it was announced that Tencent will buy 25% of a new subsidiary within Ubisoft for a 4x sales valuation. Framed another way, Ubisoft effectively did a placing to raise over \$1billion and wipe out their entire net debt at an implied share price c. 150% higher than where the shares were trading in the market.

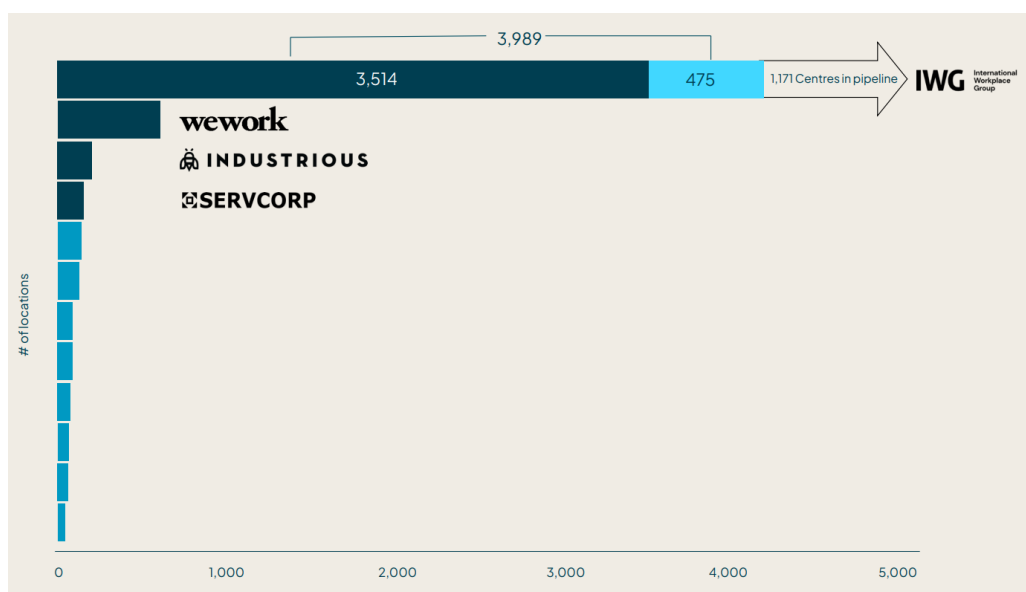
Added to this it is important to consider that the investor taking the stake at this huge premium, **Tencent**, is one of the most sophisticated and successful gaming investors globally. We see this as a serious seal of approval for the IP in the Ubisoft portfolio and it adds to our conviction that we could be moving into a period where the company starts to generate material cashflow relative to its market cap. Management have laid out a roadmap for how it could exceed €4bn of sales in the mid-term. If this is delivered, it is not hard to see how the shares might return to their long-run average multiple of 3x EV/sales. Proforma for the deal, the market valuation is currently below 1x EV/sales. We considered it to be a very good quarter for Ubisoft as a business and yet the shares fell 15%.

Frasers Group (+0.22%) has added to its international growth with several deals in recent months in Europe, the Middle East, Southeast Asia, Africa and Australia. These deals include buying retailers and distributors which will also help to grow Fraser's own brands. On an April 2026 PE of <6x and trading just above book value, the market clearly thinks this is a UK retailer with a structural issue; our view could not be more different and we believe that this will be demonstrated in the short to medium term via the earnings power of this business.

Jet2 (-0.93%) is another wonderful UK listed business that continues to gain share, generate good returns and give consumers a great experience. Our one gripe has been the quality of the capital allocation in recent years, so we were extremely pleased to see Jet2 buy back its entire convertible bond in the quarter. Given the strength of its balance sheet and the valuation, we believe the logical next step is for the company to start buying back its shares. Jet2 trades on an EV/EBIT of <4x.

IWG (+1.33%) also had a good operational quarter. It continues to execute successfully on transforming the business to a high growth capital light franchise model. In fact, its pipeline of signings is larger than its next 10 biggest competitors put together. We believe there is a good chance that the market soon starts to recognise how this business has changed. The cashflow should ramp up from here and, assuming no acquisitions and moving to a net debt/EBITDA of 1.5x, then it could return more than 100% of the market cap back to shareholders in the next 5 years on our numbers (which are conservative compared to the company's own guidance).

Exhibit 4: IWG network and pipeline (number of locations) vs 11 top competitors.



Source: IWG FY 2024 results presentation. The light blue component of the IWG bar represents the network growth in 2024.

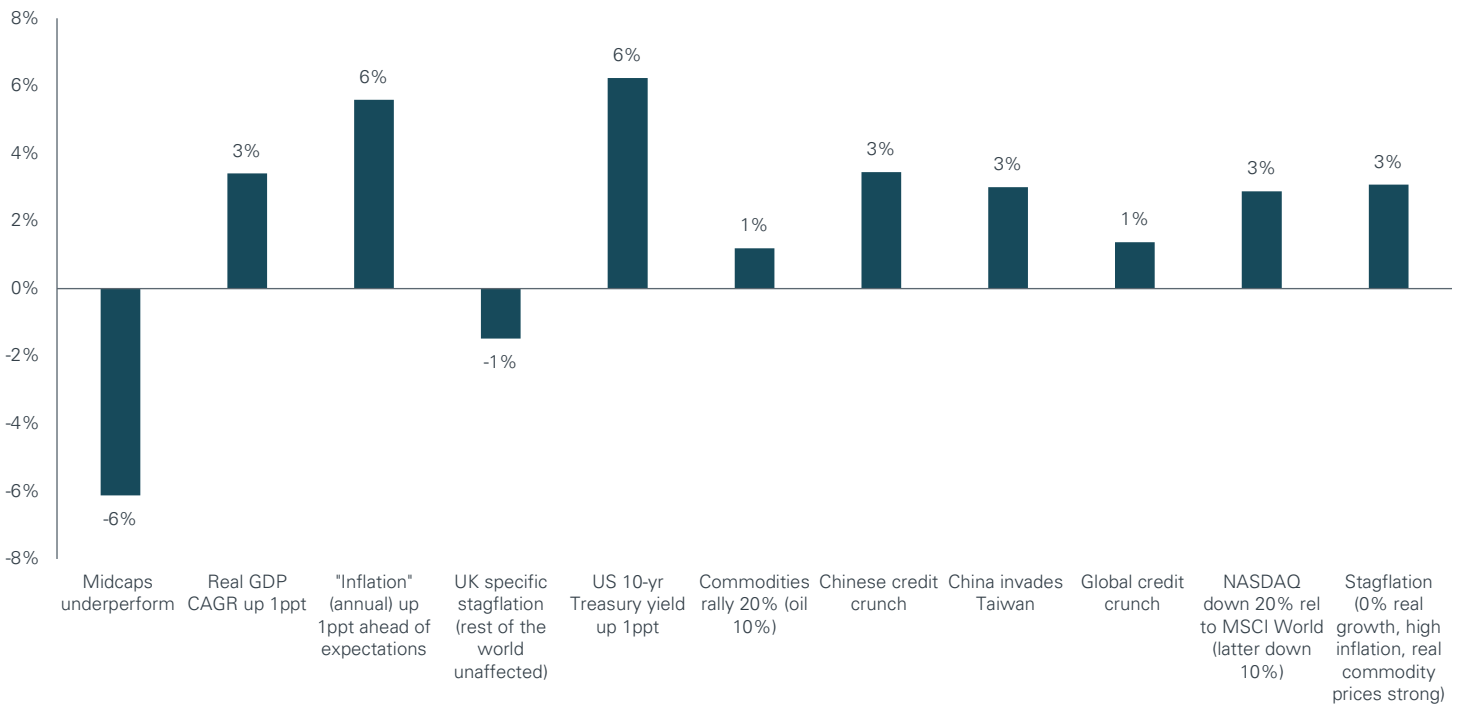
As a group our luxury goods names (**Kering**, **LVMH** and **Swatch**) were poor performers for us in the quarter in aggregate (-0.61%), linked to weakening sentiment around the US consumer.

Exhibit 5: Median valuation metrics of the Fund and the MSCI World Index (market cap weighted), as at 2nd April 2025

	Next 12 months P/E	Next 12 months EV/EBIT	Next 12 months EV/Sales
Fund	10.0	9.4	0.9
MSCI World	18.4	15.3	2.6

Source: Lancaster Investment Management, Bloomberg

Exhibit 6: Lancaster Global Equity Fund (LGF) | Estimated factor return as at 2nd April 2025 (relative)



Source: Lancaster IM unaudited internal data & Bloomberg, as at 02-Apr-25. 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.

As ever thank you very much for your support and we look forward to updating you further on our conference call.

James Hanbury & Jamie Grimston

WS Lancaster Global Equity

Net Performance (GBP)

	1-month	3-month	1-year	3-year	5-year	YTD	Inception	Inception CAGR
Fund	-6.1	-3.6	-0.8	1.7	56.1	-3.6	169.7	7.8
MSCI Daily TR Net World	-6.8	-4.7	4.7	26.7	102.9	-4.7	383.7	12.6
Relative	0.7	1.2	-5.4	-25.1	-46.8	1.2	-214.0	-4.8

Yearly Trailing Performance (net)

1-year to	31-Mar-25	31-Mar-24	31-Mar-23	31-Mar-22	31-Mar-21
Fund	-0.8	1.5	0.9	15.6	32.8
MSCI Daily TR Net World	4.7	22.4	-1.1	15.7	38.4
Relative	-5.4	-20.9	2.0	-0.1	-5.6

Monthly Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index
2025	2.2	0.5	-6.1										-3.6	-4.7
2024	-1.8	0.1	3.9	4.2	1.7	-1.7	1.4	-0.6	-2.7	0.5	1.9	-1.7	5.1	21.0
2023	3.6	0.6	-4.6	-2.5	-5.0	-3.0	4.1	-0.3	2.2	-6.0	6.0	4.6	-1.2	17.3
2022	-1.0	-1.5	9.3	0.8	5.0	-8.6	0.9	5.8	0.1	-0.4	1.5	-2.9	8.2	-8.4
2021	0.6	5.9	6.3	3.6	2.1	-1.3	-1.3	3.0	1.3	-1.5	-1.0	3.4	23.0	22.9
2020	-6.3	-5.0	-9.8	10.0	0.6	-0.9	-2.3	1.0	-2.8	-0.9	9.3	2.7	-5.9	12.6
2019	5.6	-3.3	1.0	2.1	0.7	4.1	4.9	-8.2	-0.6	-2.0	1.5	9.2	14.6	22.7
2018	-1.6	0.1	-1.8	8.1	4.2	1.7	0.3	-1.5	4.1	-3.8	-3.5	-8.5	-3.1	-3.1
2017	1.2	2.1	-1.0	-1.9	3.3	-2.7	-0.2	3.6	-2.5	1.9	-0.3	3.2	6.6	11.7
2016	-2.1	-0.3	-2.4	-1.3	-0.3	3.2	3.9	-1.0	1.1	3.4	-3.8	4.7	4.8	28.3
2015	2.5	1.1	2.6	-3.7	3.5	-4.6	1.2	-4.3	-1.9	2.8	1.7	-0.2	0.3	4.8
2014	-2.8	6.5	-2.7	-2.7	3.3	-1.4	-1.7	2.1	-0.7	-0.1	6.1	1.7	7.2	11.6
2013	10.9	3.2	1.2	-0.1	6.1	-4.9	5.4	-2.9	3.0	4.4	-0.2	0.7	29.0	24.2
2012	6.9	6.7	-0.4	-3.0	-6.4	1.6	1.4	2.7	3.0	2.1	3.0	2.6	21.3	10.6
2011												3.0	3.0	-3.3

Fund details¹

£ I Acc Class	269.72
£ I Inc Class	234.97
£ R Inc Class	5222.47
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Fund Size	£60 million
Strategy AUM	£627 million
Fund Inception	06 Aug 2001
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Fund Type	UK Long Only UCITS
Benchmark	MSCI World Daily Net TR GBP
Base Currency	£

Team & contact details

Portfolio Managers

James Hanbury
Jamie Grimston

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Portfolio Characteristics

Number of positions	40
Cash Level	4.6%

Important information

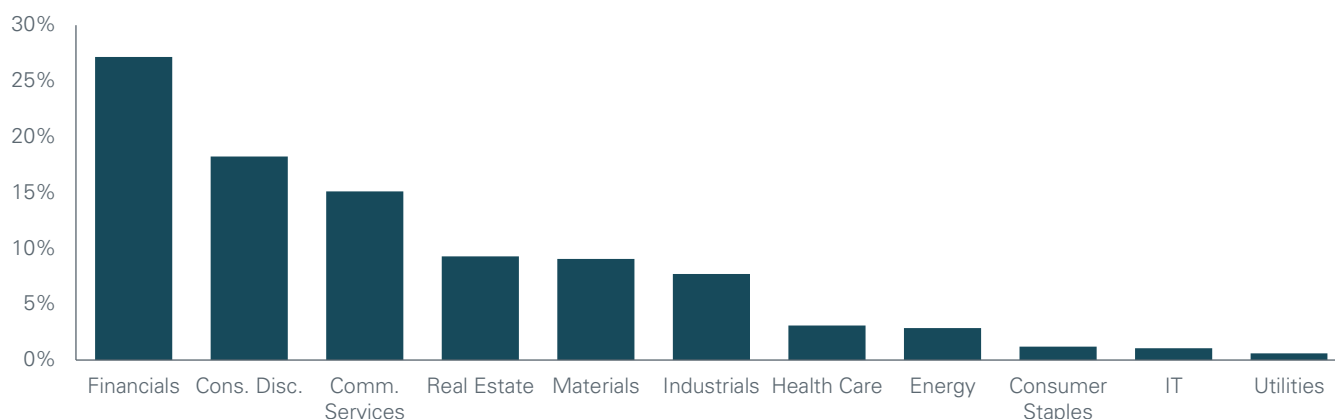
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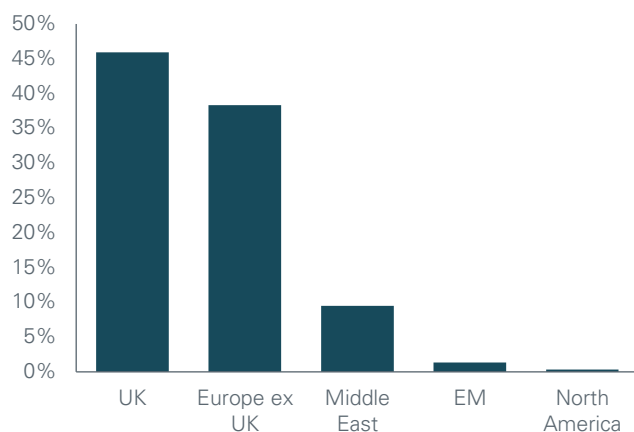
Source: All sources, unless otherwise stated, are Lancaster IM internal unaudited data and refer to the £ I Acc share class. All data shown as at 31 March 2025.

¹Waystone and Bloomberg, calculation on a NAV basis with net income reinvested.

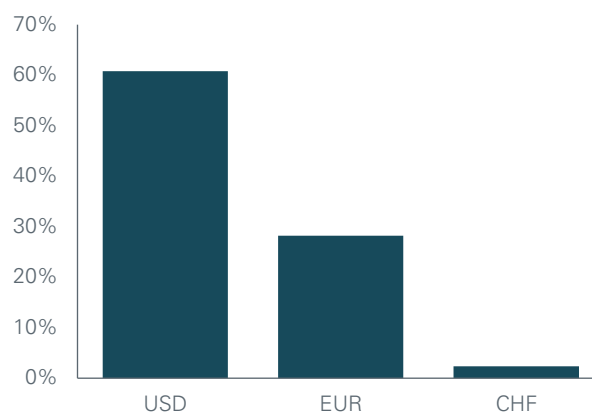
Equity exposure by sector



Equity exposure by geography



Portfolio non-base currency exposure



Top 10 Equities

Plus500	9.5%
Fraser's Group	9.4%
IWG	9.3%
Ubisoft Entertainment	8.9%
Barclays	4.3%
ArcelorMittal	3.9%
Jet2	3.7%
Oxford Nanopore	3.1%
Ryanair	3.1%
Harbour Energy	2.9%

Allocation figures and Fund performance are taken at close of business. Equity exposure includes all equity related instruments. Commentary is provided on a quarterly basis. Equity exposure as classified by GICS. Currency exposure shows portfolio exposure to non-base currency >1% of NAV. The fund was renamed from LF Odey Opus to WS Lancaster Global Equity 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 Acc share class. This share class has been used because it is the Fund's largest share class. All data shown as at 31 March 2025. 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 Global Equity Fund ('The Fund') aims to achieve long term capital growth. Capital is at risk and there is no guarantee that a positive return will be delivered over multiple time periods. The Investment Manager seeks to achieve this objective through managing a portfolio of publicly listed equity investments.

Approach

The strategy is long-only, valuation driven and global in scope. The portfolio managers investment approach is built around some core principles; investing in fundamentally sound companies, use diversification to mitigate risk, focus on sustainable free cash flow generation and seek out corporate management teams who are well aligned. 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 25-40 long positions with a higher concentration in the top 10 positions.

Risk Considerations

The Fund is actively managed and has considerable latitude over its allocation and may own sophisticated instruments such as futures and options for efficient portfolio management. 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 higher 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-llp/ws-general-global-investment-funds/>

Investor information

Share classes	GBP I (Acc & Inc.)	Minimum investment	£1,000,000
Trade date	Daily	Dividends	Income & Accumulation shares
Dealing	Forward to 2pm GMT	Authorised Corporate Director (ACD)	Waystone
Valuation	10.30pm GMT	Auditor	Ernst and Young LLP
Front end fee	Up to 5%	Custodian	BNY
Annual management fee	I: 89bps R: 139bps (closed to new investment)	Price reporting	Prices published daily on lancasterim.co.uk , Bloomberg and by other third party data providers.
Ongoing charge	I: 119bps R: 169bps (closed to new investment)	ISIN	R' GB00B1JMN999 'I' Acc GB00B54RK123, 'I' Inc GB00B717BM70, 'R Acc' GB00BM8ND727
Anti-dilution fee	May apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur	SEDOL	'R' B1JMN99, 'I' Acc B54RK12 , 'I' Inc B717BM7, 'R Acc' BM8ND72

Important Legal Information & Disclaimer

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