WS Lancaster Absolute Return Fund

Portfolio Manager Q2-25 Report

Performance

5.9% Quarterly performance

9.4% Year-to-date performance

10.7% CAGR since inception

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

Fund details[1]

£ I Class	519.39
£ R Class	483.25
$ I Class	2.91
€ I Class	2.75
Fund Size	£321 million
Strategy AUM	£665 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	UK Long Short UCITS

Portfolio Managers

James Hanbury

Jamie Grimston

Summary

- The fund generated returns of +5.9% in sterling, outperforming the MSCI World Net Total Return GBP Index which delivered +4.9%.
- There were some stark differences between how we generated returns in the second quarter compared to the first despite both being decent positive returns:
  - Whereas the market was down in the first quarter it rebounded in the second, therefore it was particularly pleasing to outperform despite a beta adjusted exposure (2-year) of <50%; this reinforces our low correlation to the market
  - Unusually for us second quarter returns were not driven by alpha but through beta, where we successfully monetised volatility (and there was plenty!)
  - After an extended period of underperformance, UK domestic stocks gave the portfolio a factor tailwind
  - In the second quarter, the portfolio suffered from its large underweight in the 'Magnificent Seven' which as a cohort generated a positive return in sterling of c.15%
- This was an extraordinary quarter for geopolitics, economics, markets and general news flow:
  - We witnessed the US president appear, like a game show host, holding a board of surprisingly high tariff numbers
  - We saw China retaliate with 125% tariffs on US products
  - We saw the 'One Big Beautiful Bill' ("OBBB") pass through the House of Representatives. The CBO estimates the bill will increase the US fiscal deficit by $3.0tr over the next decade; this is from a President who campaigned on improving the fiscal position
  - We saw Iran being bombed by Israel and America and 24 hours later President Trump describing a 'complete and total ceasefire'
  - President Trump and Elon Musk had a major public fallout

  Yet after digesting all of this, the market finished at all-time highs. Our data shows that from our c.30,000 historical trades, we generate better returns when we buy or sell shares with higher volatility. In this regard, it was not surprising that it was a good quarter for us. The third quarter promises to keep adrenaline levels high; we will see how the OBBB implementation plans evolve and we will find out if Trump will extend the 90 day pause on tariffs, and that is just in the first 2 weeks.
- Performance was driven by the long book which generated returns of 14.2%. Our pan European bank positions were again strong, and our airline and UK listed names were good net contributors. Towards the end of the quarter we rotated some of our bank holdings into European cyclical names which are pricing in a materially worse macro-outcome to the banks. We find it hard to see how the banks can have the next leg up in performance without other European cyclical names starting to perform strongly.

- Our short book was costly in absolute terms due to market strength, detracting -8.9% over the quarter. Our biggest losers in the short book were Nvidia and Tesla but performance was very polarised with Partners Group, Lululemon and Deckers all contributing well.
- At a macro and micro level we continue to be happy with our overweight of Pan Europe vs America. So far, the reallocation away from America into Europe has been currency led. If there is follow through then indices should continue to benefit, followed by baskets of stocks and finally individual stocks. If we are right this reallocation could run for many years.

Conclusion

It was a good quarter for the fund delivering a positive return of 5.9% with sterling being strong over the period. We are pleased this year to have generated decent positive returns in both quarters, even though the market characteristics varied significantly between them. It was also satisfying to have generated good returns on both sides of the book in the brand and retail space as this is an area where we have invested considerable time. As is the case with our process, we are constantly re-evaluating the risk return of every position and reweighting accordingly. It is not surprising therefore how optimistic we feel about the portfolio given the upside we see in our long book individual holdings. Thank you as ever for your support and we look forward to updating you further on our conference call.

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

Fund Objective

The WS Lancaster Absolute Return Fund ("the Fund") is an unconstrained long/short equity fund that invests globally. The Fund will take long and short 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 Fund are as follows:

- 16-year track record:
  - 10.7% CAGR
  - Alpha generated on both the long and short side of the book
  - Monetisation of high volatility situations
- A concentrated portfolio of best ideas
- Low correlation to global equity markets
- A bias in the long book to owner-managed businesses with an established history of excellent capital allocation

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

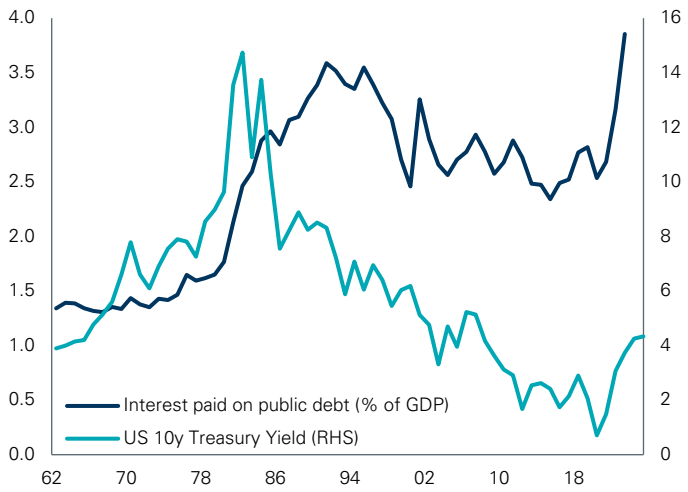
Macro observations

President Trump is displaying some rare political characteristics, including behaving like an owner in his approach to governing the United States. That said it is becoming apparent the hand he has been dealt is a tough one. We learned during the quarter that Trump's threshold for pain is not that high. Whilst President Xi of China may have more to lose from a trade perspective in isolation, he does have the luxury of political term. President Trump has important congressional elections in 17 months' time and cannot afford to impose a cost-of-living crisis or materially dent the wealth effect of the voting public. The Republican Senate have found themselves in a particularly difficult position with the OBBB. The Senate had to decide between imposing austerity on the US economy by not extending tax cuts and passing the bill or by increasing the fiscal deficit which, at above 6%, is already high for an economy with full employment. With the bill signed into law, US funding costs may be tested by markets. Given the US government is consistently refinancing at higher rates this may start to get more attention from the stock market. It is the combination of the quantum of debt and the current yield curve that is driving up the US government's cost of debt servicing to unprecedented levels.

We continue to believe that US fiscal, geopolitical, and regulatory behaviour is inflationary, and we are keen to be in stocks that have both business models and valuations that can at least protect us in this situation.

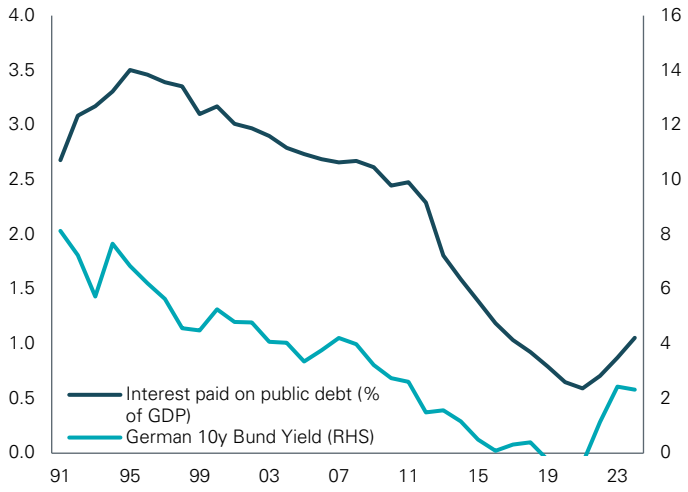
Whilst we are aware of how repetitive we may sound, we continue to find pan European stock exposure considerably more attractive than the US. This is not to say we are ignoring the US for investment ideas, in fact we bought two American ideas during the quarter; Dick's Sporting Goods and Nike. Overall though we have a considerable overweight to pan Europe. This is primarily driven by bottom-up stock picking where valuations are more attractive (please see Exhibit 3 below), supported by our broader macroeconomic views which give us further comfort. The Eurozone is going through a controlled fiscal expansion whereas it appears the US may be doing it in a less affordable way.

Exhibit 1: Interest paid on US public debt as a % of GDP and US 10-year treasury yield (%)



Source: Goldman Sachs Global Investment Research

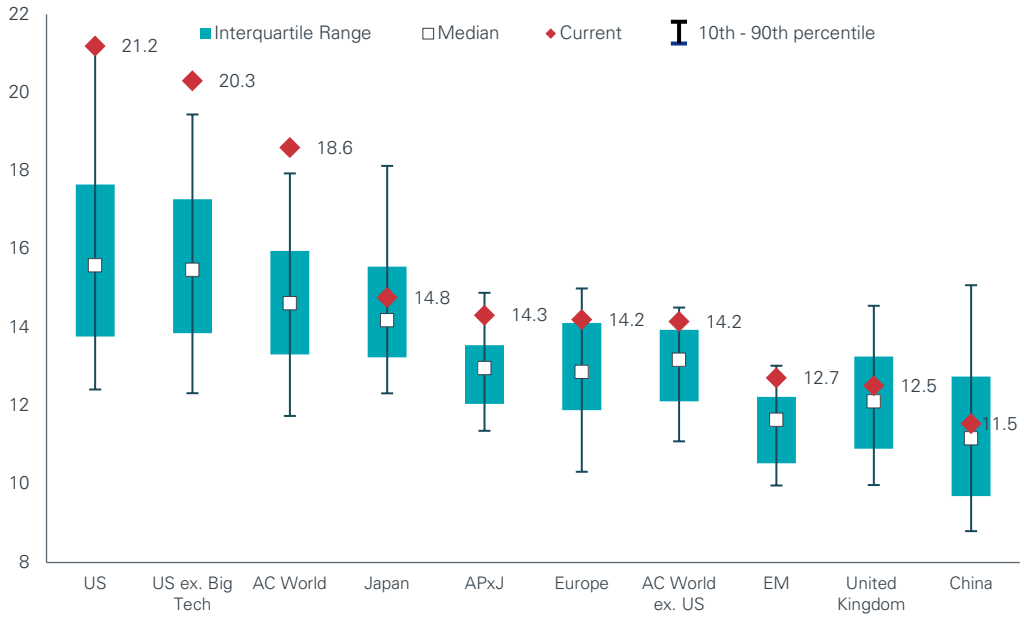
Exhibit 2: Interest paid on German public debt as a % of GDP and German 10-year bund yield (%)



Source: Goldman Sachs Global Investment Research

Savings ratios, as we showed last quarter, gives European consumers more scope to expand spending versus their US counterparts. Europe also sees much greater asymmetry to the downside with regards to energy prices after considering the starting point and potential new supply. After the broadly agreed successful Iranian campaign, the White House will feel it has more political capital and confidence to refocus on trying to achieve peace in Ukraine. There is a large political and financial incentive for President Trump to achieve this and yet the biggest beneficiary should be Europe.

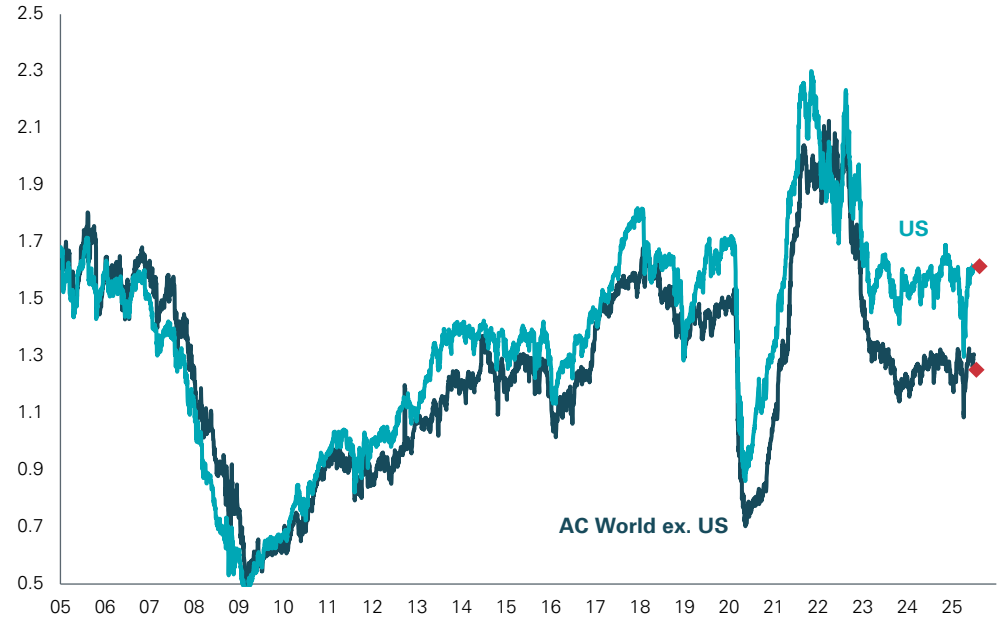
Exhibit 3: 12m fwd P/E multiple ranges. MSCI regions, STOXX 600 for Europe and S&P500 for USA. Data since 2003.



Source: FactSet, Goldman Sachs Global Investment Research

Standard pushback we get from clients is that America justifies its premium valuation because of higher growth rates. We have previously shown that at a stock level in our portfolio this is not the case, and interestingly the following chart from Goldman Sachs also shows the PEG ratio between the US and the rest of the world has opened up in recent years.

Exhibit 4: PEG ratio (12m fwd P/E divided by 12m fwd EPS growth), US vs World index ex US.



Source: Datastream, Goldman Sachs Global Investment Research

The Fund continues to be long the euro against sterling. Through UK stocks we are finding some of the most attractive risk return characteristics in developed markets, but we lack full confidence that the UK Labour government can run the country in an appropriate fiscal manner. The currency position therefore tries to isolate the risk of our UK holdings to the stock level. It is clear in the UK that the

changes to UK non-dom tax rules have reached the prohibitive point on the Laffer curve, discouraging activity and reducing overall tax revenue. With the top 10% already paying c.60% of UK income tax, further tax rises on the wealthy may also result in an overall reduced tax take. The recent rowing back of benefits and winter fuel allowance cuts is maybe a demonstration that Labour backbenchers need reminding by the markets that money does not grow on trees.

Our final observation is that concentration in the market, particularly in Europe, feels quite high. This is worth being aware of tactically as a combination of leverage and tight risk controls can cause large short-term moves. The charts below show that the top 50 long names for Morgan Stanley's prime brokerage book are in the 84th percentile and the shorts are in the 88th percentile. It feels like crowdedness on the long side is through banks, defence and SAP. On the short side it would appear to be more consumer discretionary, autos and luxury goods names, covering many stocks that we own.

Exhibit 5: Hedge Fund Long Exposure to Top 50 Names as percentage of Total Short Exposure (Europe)

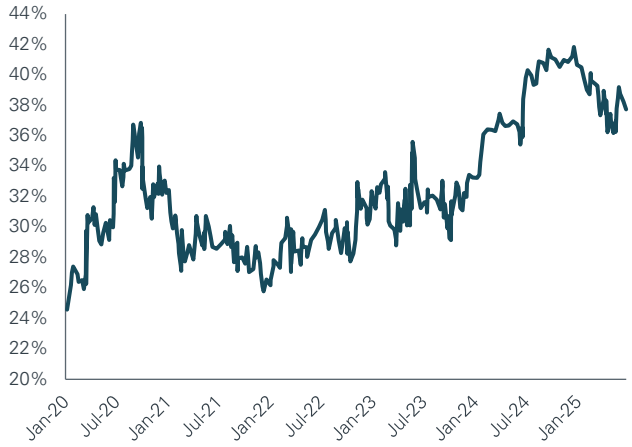
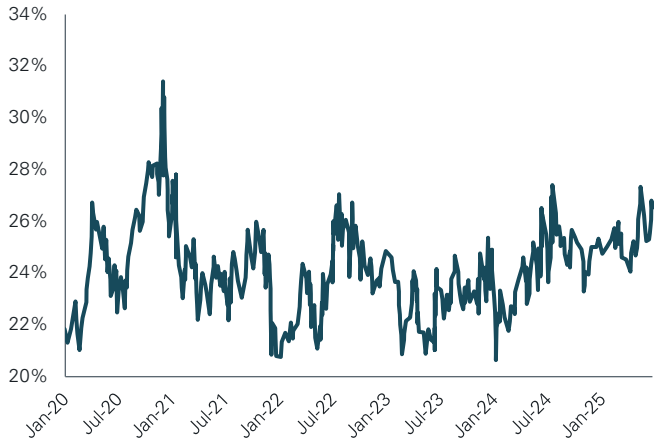


Exhibit 6: Hedge Fund Short Exposure to Top 50 Names as percentage of Total Short Exposure (Europe)



Source: Bloomberg, Morgan Stanley Prime Brokerage. Data as of Jun 20, 2025

Performance & positioning

As stated above, we traded volatility well which helped performance on both sides of the book during the quarter. We covered many shorts and added to longs after the Liberation Day sell off. Of course, it was far from perfect and we put several of our shorts back on too quickly but in the round we added good value to the portfolio by taking advantage of dramatic share price moves.

Long book

It was a good quarter for the long book in absolute returns (+14.2%), if not alpha. As implied above, there was a significant amount of churn in our book during the quarter as we reweighted positions, added new ones and sold some.

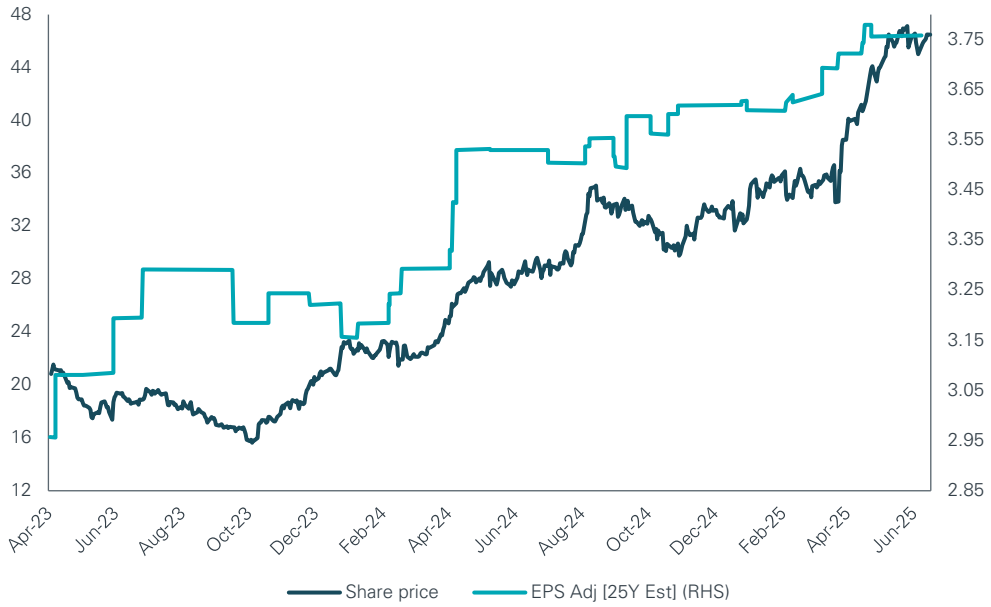
Plus500 was a top contributor (+2.1%) in the quarter as the company upgraded guidance and won a new licence in Canada. The strengthening of the business model by broadening its product suite (retail and institutional futures trading, futures infrastructure, CFD trading and cash share investing) and diversification across 15 regulatory licences globally is not reflected in its EV/EBIT 12 month forward multiple of 6.8x (stripping out regulatory capital from net cash). While there are many examples of companies trying to become multi-asset fintech groups, we find the valuation dispersion between some of the current 'winners' to be anomalous:

Exhibit 7: Comparison of KPIs between selected fintech platform

	Plus500	Revolut	eToro	RobinHood	Interactive Brokers
Customers – Cumulative Registered (m)	30	53	40	25	NA
Customers – Active (m)	0.3	53	3.5	15	3.3
Conversion Actives / Registered (%)	1%	100%	9%	59%	NA
Deposit / Customer ($)	12,000	720	4,770	7,659	170,120
Revenue / Customer ($)	3,022	74	226	117	1,574
Revenue 2024 ($m)	768	3,868	788	2,951	5,257
Historic 2 Year CAGR (%)	-4%	83%	16%	47%	28%
Consensus 3 Year Forward CAGR (%)	0%	46%	8%	17%	7%
Marketing vs Revenues – Historic 3 Year Average (%)	20%	13%	26%	8%	1%
EBIT 2024 ($m)	336	1,416	293	1,352	3,695
Historic 3 Year Average Margin (%)	48%	23%	15%	11%	69%
Consensus Forecast Year 3 Margin (%)	45%	37%	38%	44%	74%
Historic 3 Year Average Cash Conversion (CFO/ "core" EBITDA)	101%	52%	52%	12%	113%
Latest EV ($bn)	2,998	45,974	5,329	79,674	82,944
EV / EBIT (12 months forward)	7.0	15.9	17.1	50.2	19.5

Source: Redburn Atlantic, Bloomberg, Lancaster IM, Company filings

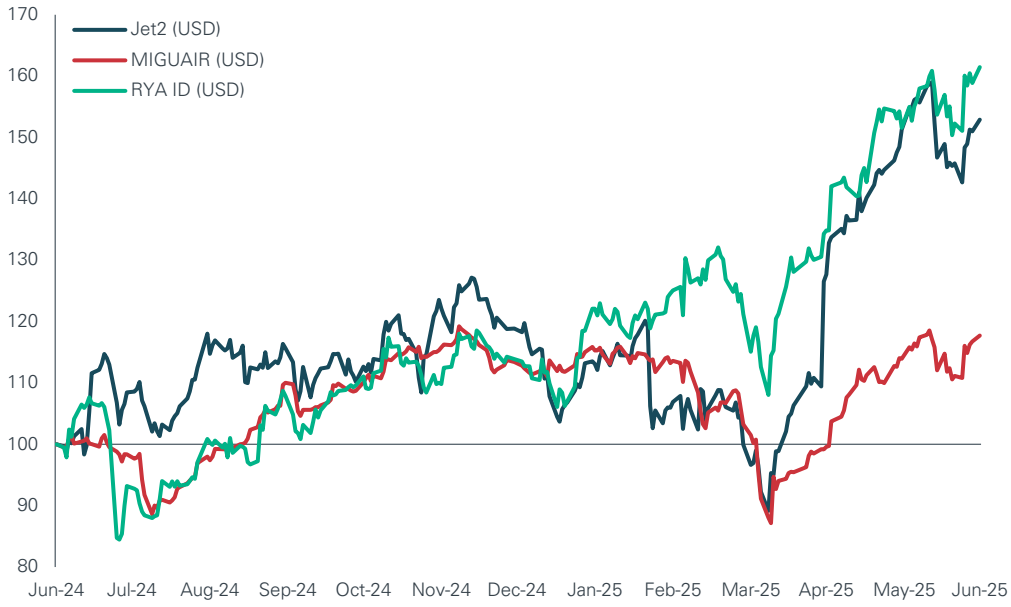
Exhibit 8: Plus500 share price vs consensus earnings per share estimates, April 2023-June 2025



Source: Bloomberg

Jet2 (+1.7%) which was strong in the quarter has been a great example of how inefficient the market can be, particularly at pricing optionality. The company announced on 29th April that it would be starting its first meaningful buyback. Clearly it is good news to see rational capital allocation but anyone who understood this investment case well should have realised that there was a high probability of this happening. Since Jet2 announced its buyback the enterprise value of the company has moved up by 61%. **Ryanair** (+1.0%) was also a good performer for the fund during the quarter and whilst we were frustrated to miss the strong performance of IAG last year, we have generally done a good job of picking the winners in this sector over both one and five years. I like the Terry Smith analogy for fund management: you don't win the Tour de France by winning every stage.

Exhibit 9: Trailing 1-year performance of Jet2, Ryanair and MSCI World Airlines Index (USD)*



Source: Bloomberg. *Rebased to 100 as of 30th June 2024

Exhibit 10: Trailing 5-year performance of Jet2, Ryanair and MSCI World Airlines Index (USD)*

Source: Bloomberg. *Rebased to 100 as of 30th June 2020

IWG (+1.5%), the serviced office provider, is a stock we feel should go up materially if it delivers on consensus expectations over the next few quarters. The market at present is either unaware or not prepared to value the significant business model evolution that IWG has gone through, which should lead to dramatically improved financial metrics.

We continue to see examples of how short term focused the market is. The challenge for us is getting the right balance between playing to our strengths in looking at intrinsic value and not totally ignoring what is driving the market in this phase. This short termism helped our holding in BT during the quarter, where it seemed that the market suddenly noticed how close a ramp up in sustained cash flow generation is.

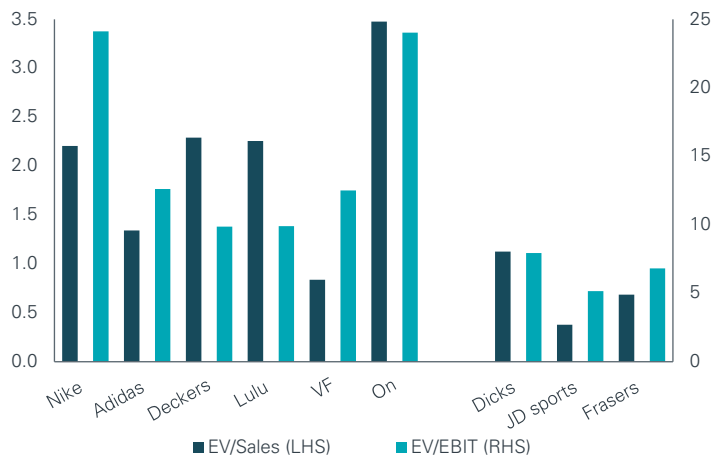
Oxford Nanopore contributed +1.0%. The main headwind to performance this year of the life science tools sector has been the unprecedented disruption of US life science research funding by the Trump administration. This earnings and sentiment headwind has plausibly reached its nadir. Elsewhere governments see value in incremental spend on genomics; the UK health secretary recently stated in an interview that every baby in the UK will have their DNA tested under a new 10 year plan for the NHS. In the quarter we saw Larry Ellison increase his stake in the company to 16%, up from 7% at the beginning of the year. On 9th April the company announced a significant collaboration with Cepheid, initially in infectious disease. Not only does Cepheid have an installed instrument base of >50,000, it is also a division of Danaher – a highly acquisitive $144bn market cap US life sciences business. This is the second collaboration in infectious disease announced by Oxford Nanopore following the October 2023 strategic partnership with BioMerieux, a $16bn market cap French infectious disease specialist. In March the Oxford Nanopore CEO acknowledged in an interview with the Financial Times that the company is vulnerable to take out and that this would be acceptable for the "right person". We can see the strategic merits of a takeover for a number of deep pocketed potential acquirers.

Ubisoft (-1.2%) was a poor performer in the quarter. We believe the company has done a very good deal with Tencent and is taking the right short-term decisions to help maximise its intrinsic value. These decisions include delaying game releases for this year, focusing the R&D spend on top titles, looking for further cost cuts and bringing in new external managers to run the largest brands. The management strategy of short term pain for long term gain has also so far been mirrored by the share price performance. After the Tencent cash is received the EV/sales will be at a multi-year low and yet we believe the business should be well set up for future success. There are several long positions that could double and still look cheap, Ubisoft fits into that category.

We opened some new long positions in the quarter which proved to be well timed. Nike, shifted from being a short to a long after the share price fell significantly and the new CEO, Elliot Hill, started taking what we believe are the right measures to turn around the business. We bought Tesco after the shares pulled back dramatically following Asda announcing it would be investing in price. We bought Dicks Sporting Goods after it announced a takeover of Footlocker, which caused the market cap of Dicks to fall by close to the

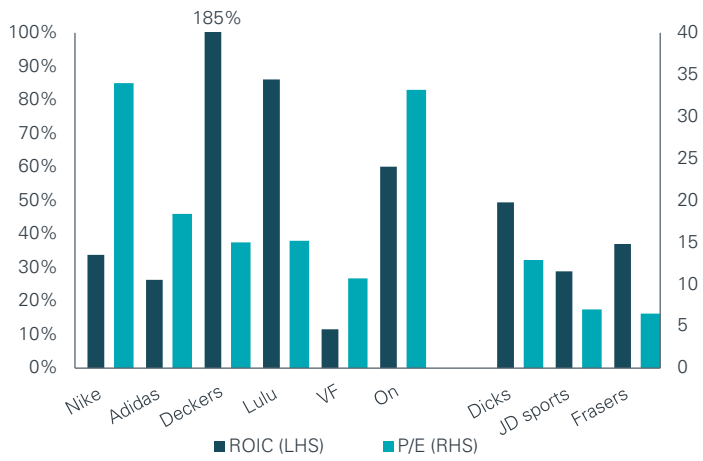
total value of the deal. We believe that, because of the depressed Footlocker margins and international expansion opportunity, the acquisition could end up being value accretive. Dicks is a business we have long admired so it was good to be able to get this entry point. We will cover Dicks in more detail in a future letter but in a nutshell this is a business that generates a 28% ROIC, is the market leader in its space, has good growth opportunities and trades on a P/E multiple of c.11x 2027 (after factoring in the Footlocker synergies). What is surprising and not well understood by the market is that the long run incremental returns of the top three distributors (Dicks, JD Sports and Frasers Group) have been better than those of the brands they sell. It makes the valuation difference of the two groups hard to justify.

Exhibit 11: Valuation Differential of Brands vs. Distributors



Source: Lancaster IM, Bloomberg

Exhibit 12: ROIC and P/E of Brands vs. Distributors



Source: Lancaster IM, Bloomberg
Note: Frasers Group ROIC excludes Investment Property and Equity Investments

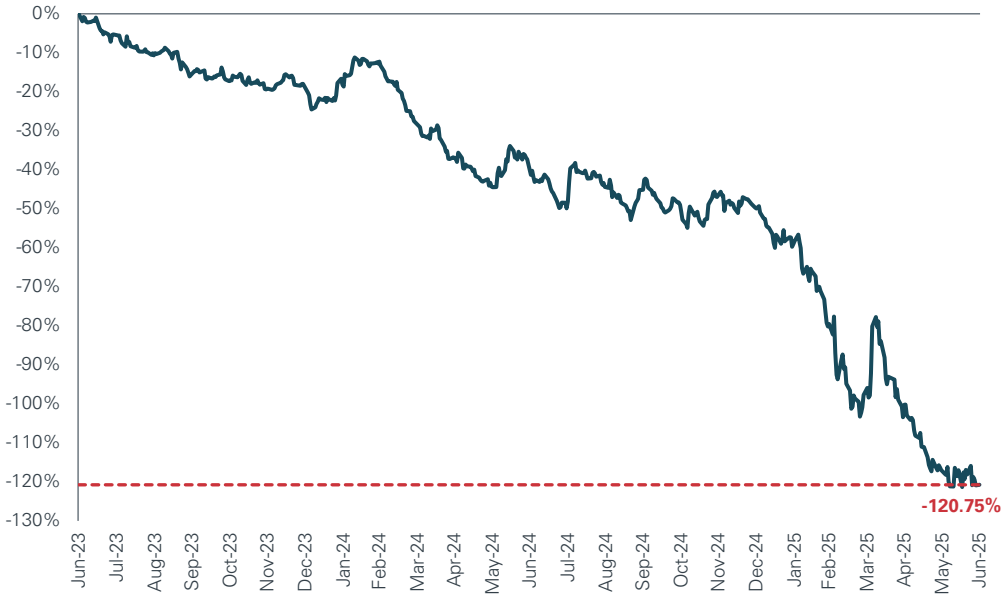
We also took a new position in **Flutter** (a leading global betting and iGaming operator), which is a name we have owned previously in a sector we have always followed closely. Having moved its primary listing to the US, the marginal Flutter investor is now less familiar with an industry still in its relative infancy there; during March and April the stock sold off heavily on various concerns – sporting results, tax rises and new competition – all of which we felt were short term:

- Sporting results always mean-revert
- Flutter has a playbook from other geographies for mitigating tax rises
- Its app is still market-leading; like other internet industries scale allows a level of reinvestment in the product which is difficult for smaller competitors to replicate

Flutter's US business has a leading 35-40% market share in products still only available to c.60% and c.12% of the population in sports betting and iGaming respectively. We expect the addressable market to roughly double from 2024 to 2027 as existing US states start maturing. This puts the shares on <16x P/E and 11x EV/EBIT but we think this leaves very little priced in for further legalisation – the company's 2030 addressable market estimate (based on 80% / 25% of the population exposed to sports/iGaming) calls for a market nearly twice as big again which would put the shares on <10x earnings. Meanwhile the group's business in the rest of the world continues to compound EBIT at 7-10% p.a. and provides the cash to fund ongoing share buybacks as well as bolt-on M&A such as the recent deals in Italy and Brazil. We see c.50% upside from here over the next few years just from the group holding its multiple, whilst a re-rating to the valuation multiples of leading internet peers like Uber, Spotify or Booking.com would see the shares more than double.

Towards the end of the quarter we reduced position sizes in European bank holdings and increased those in European consumer cyclical names that we either own already or know very well. We continue to feel there is good upside in our banking holdings but find the relative underperformance of high quality leading European cyclicals, with a reasonably high crossover of factorial risk, to be a more prudent use of capital.

Exhibit 13: Total return performance of Morgan Stanley EU Consumer Discretionary Index vs Euro Stoxx Banks index, June 2023 – June 2025



Source: Bloomberg (MXEU0CD TR vs. SX7E TR)

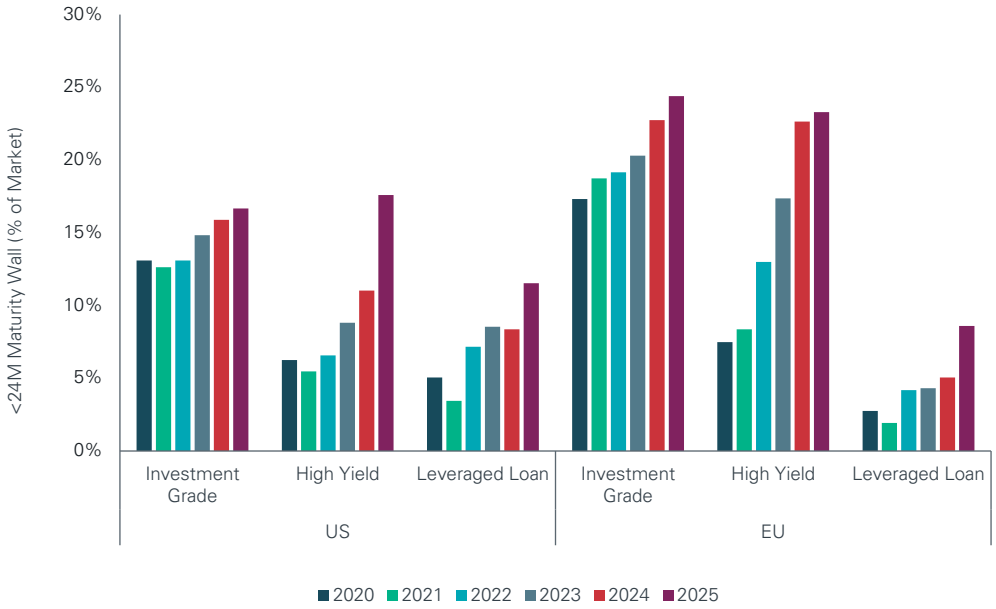
Other notable positive contributors were **HDFC**, **Manchester United**, **Canal Plus**, **Centrica** and **Autoliv**. Other notable negative contributors were **Mobico**, **Zalando** and **Ocado**. During the quarter we disposed of **Sunrise** which implicitly as a dividend spin out through our Liberty Global position has been a successful holding. We also took a new position in a European chemicals company.

Short book

For our shorts this quarter it was generally a case of making the correct calls directionally but wishing we had covered more and waited longer to put them back on. Our most costly short was **Nvidia** (-1.5%) which rallied off a pickup in sentiment towards AI spending. **Tesla** (-1.2%) which was one of our top contributors in the first quarter unwound these gains as the market moved on from focusing on its car sales towards driverless taxis. It was also notable that most retail investor stocks performed well in the quarter, a trend we should have been quicker to spot.

Partners Group (+0.5%) as our largest PE manager short position contributed positively in the quarter, in contrast to the US listed names. During the period we increased our PE short positions while reducing short exposure in the sporting goods space. We are particularly aware of PE firms essentially kicking the can down the road in terms of refinancing their debt. The chart below shows that a record percentage of debt matures in the next 24 months, and therefore needs refinancing in the next 12 months. With 80% of PE debt on floating rates, the hope for the sector a couple of years ago was that rates would fall sharply. The reality has been that these cuts have not materialised as forecast; this has led to a continuous transfer of value from the equity to the credit as firms have been paying 10%+ interest rates on debt with high ratios of leverage.

Exhibit 14: EU and US debt < 2 years duration by year cohort and debt type



Source: Bloomberg, PitchBook, UBS

Lululemon (+0.5%) and **Deckers** (+0.4%) were successful shorts as they both delivered disappointing outlook statements. These positions have been reduced in size since the share price of both has broadly halved so far this year and they both hold net cash.

We continue to like our shorts in the logistics space. Whilst the valuations do not reflect the current yield curve, the operating fundamentals also look poor. The chart below for Segro shows that whilst its rental pipeline is reducing in absolute terms, the percentage of that rental pipeline which is pre-let is also dropping. It can often be a warning sign when a property sector starts to build more space speculatively.

Exhibit 15: Segro Rent Pipeline from Current Development, Percentage Pre-Let

Source: Company filings

Portfolio Positioning and Characteristics

The portfolio is about 42% net long on a 2-year beta adjusted basis. From a listing perspective we are overweight pan Europe and underweight the US. Our largest sector overweight is pan European consumer discretionary but idiosyncratic stock risk is meaningful for the portfolio, as is often the case. Our largest short sector exposures are in the private equity and logistics space.

Our factor modelling suggests the fund should do well if we remain in a higher rates/inflationary environment. This is partly due to the characteristics of the businesses on both sides of the book and the valuation differences between our long and short book.

Exhibit 16: Median valuation metrics of the Fund's long and short books and the MSCI World Index (market cap weighted), as at 2nd July 2025

	Next 12 months P/E	Next 12 months EV/EBIT	Next 12 months EV/Sales
Fund long book	12.1	9.4	0.9
Fund short book	19.6	21.6	10.6
MSCI World	19.7	16.4	2.9

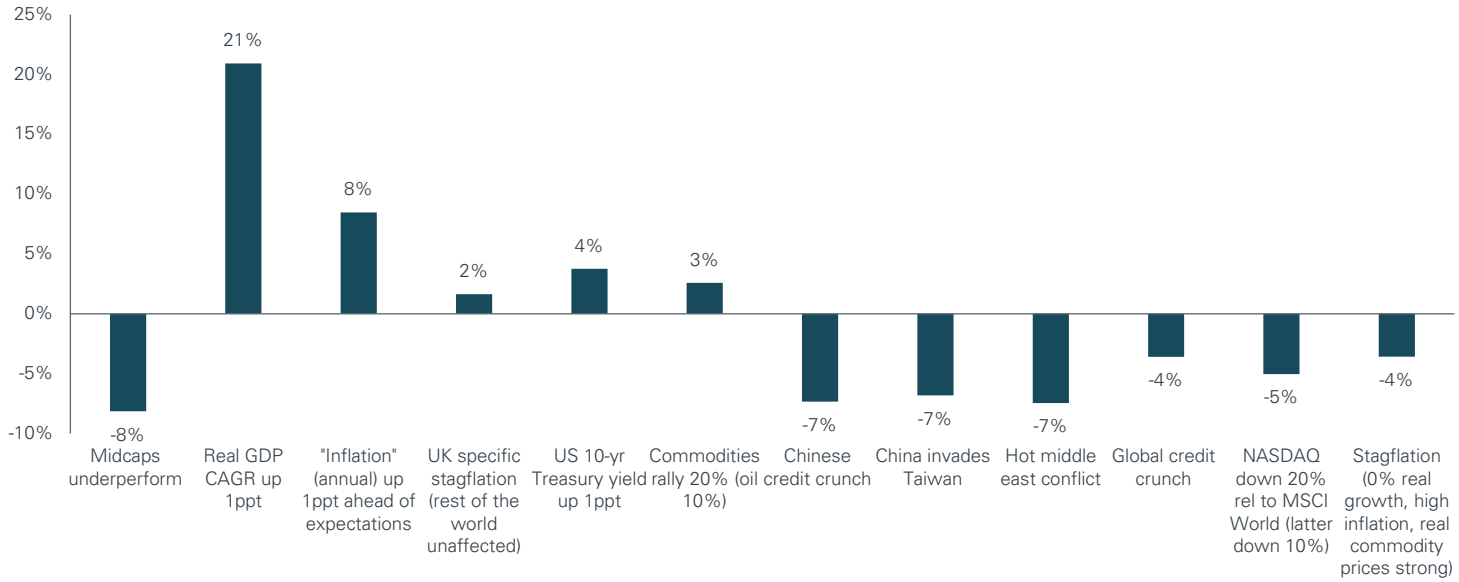
Source: Lancaster IM, Bloomberg

We have a long euro position against sterling to try and isolate our UK factor risk to the stock level.

Conclusion

It was a good quarter for the fund delivering a positive return of 5.9% with sterling being strong over the period. We are pleased this year to have generated decent positive returns in both quarters, even though the market characteristics varied significantly between them. It was also satisfying to have generated good returns on both sides of the book in the brand and retail space as this is an area where we have invested considerable time. As is the case with our process, we are constantly re-evaluating the risk return of every position and reweighting accordingly. It is not surprising therefore how optimistic we feel about the portfolio given the upside we see in our long book individual holdings. Thank you as ever for your support and we look forward to updating you further on our conference call.

Exhibit 17: WS Lancaster Absolute Return (LAR) | Estimated factor return as at 30th June 2025



Source: Lancaster IM unaudited internal data & Bloomberg, as at 30-Jun-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.

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	-0.8	5.9	1.6	16.7	67.3	9.4	419.4	10.7
MSCI Daily TR Net World	2.4	4.9	7.2	47.0	78.0	-0.1	535.7	12.1
Relative	-3.2	0.9	-5.6	-30.3	-10.8	9.5	-116.3	-1.4

Yearly Trailing Performance (net)

1-year to	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-22	30-Jun-21
Fund	1.6	12.0	2.6	1.4	41.4
MSCI Daily TR Net World	7.2	20.9	13.5	-2.9	24.7
Relative	-5.6	-8.9	-10.9	4.3	16.7

Monthly Performance (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	-1.1	3.9	0.6	5.3	1.3	-0.8							9.4
2024	0.6	-2.0	2.9	9.7	0.8	-3.1	3.1	-1.0	-2.6	-1.3	-5.2	-0.1	0.8
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 details[1]

£ I Class	519.39
£ R Class	483.25
$ I Class	2.91
€ I Class	2.75
Fund Size	£321 million
Strategy AUM	£665 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

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Top 10 Long Equities

	% NAV
IWG	9.4%
Frasers Group	9.4%
Ubisoft Entertainment	9.3%
Plus500	9.3%
Flutter Entertainment	4.5%
JD Sports Fashion	4.5%
ArcelorMittal	4.3%
Jet2	4.3%
Liberty Global	4.3%
B&M	4.3%

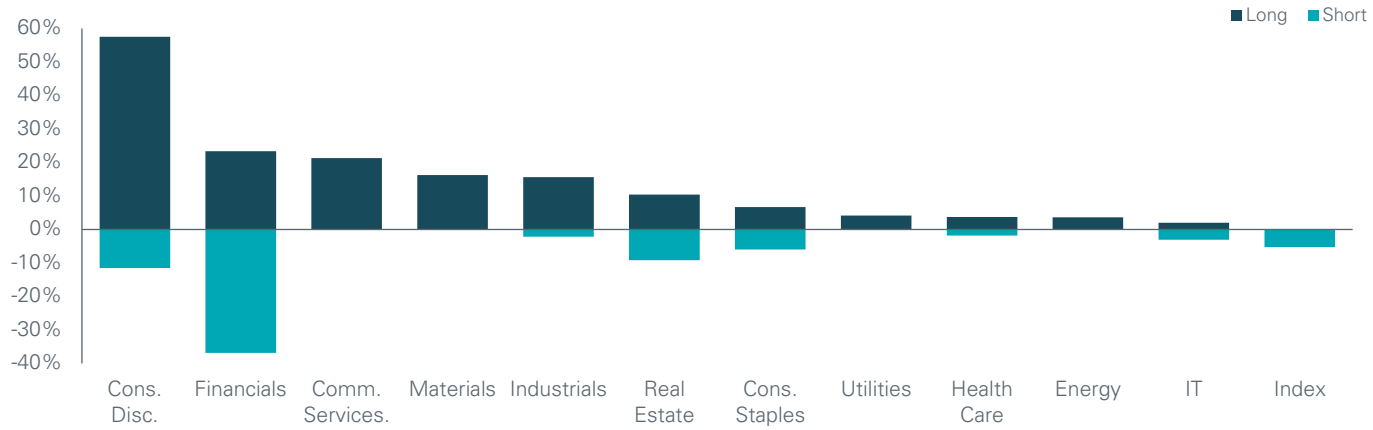
Portfolio Characteristics

Long position count	59
Short position count	28
Total gross exposure	241%
Total net exposure	89%
Gross long exposure	165%
Gross short exposure	-76%
Beta adj. net exposure (2-year)	42%

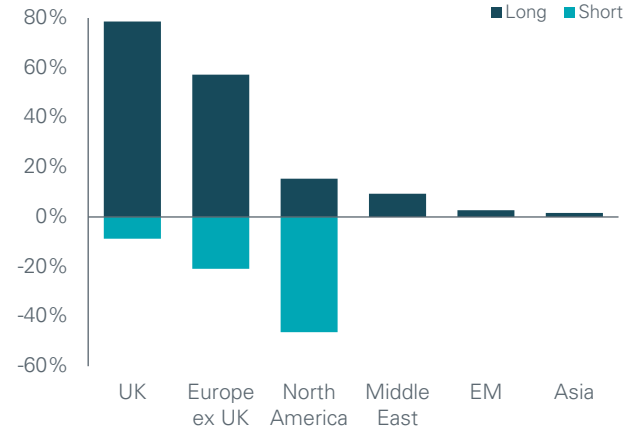
Important information
These figures refer to the past. Past performance is not a reliable indicator of future results. This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available upon request from Lancaster IM. The performance calculation shown is 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.

Source: All sources, unless otherwise stated, are Lancaster IM internal unaudited data and refer to the £ I share class. All data shown as at 30 June 2025.
[1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested.

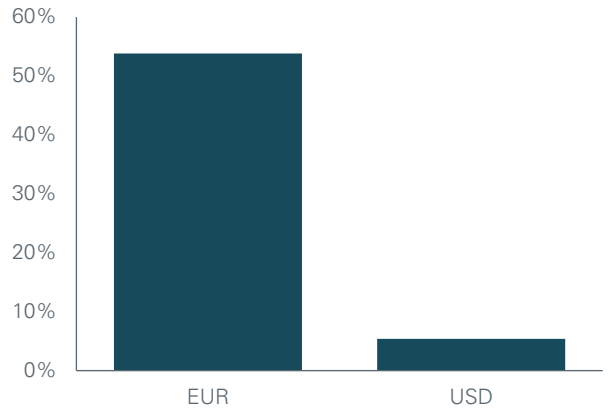
Equity exposure by sector



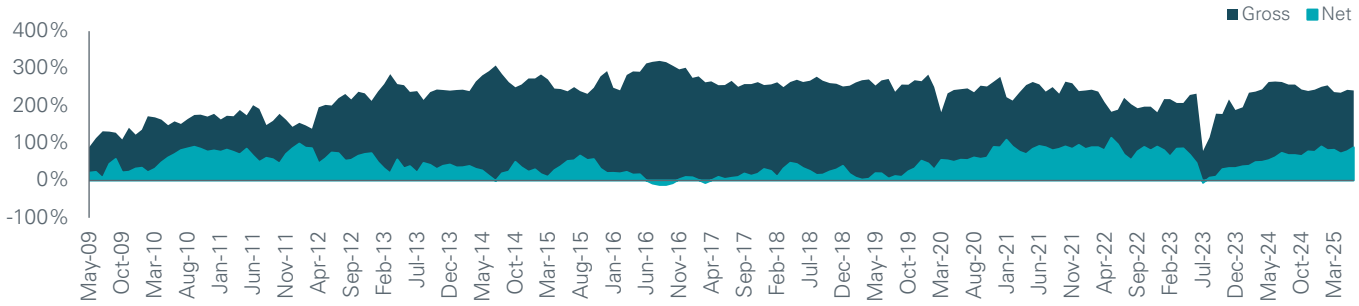
Equity exposure by geography



Portfolio non-base currency exposure



Equity exposure



Allocation figures and Fund performance are taken at close of business. Equity exposure includes all equity related instruments. Government Bond exposure can be provided on a ten-year adjusted basis. Currency exposure shows portfolio exposure to non-base currency >1% or < -1% of NAV. 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 June 2025. [1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested – the share class prices refer to NAV per share.

LANCASTER
INVESTMENT MANAGEMENT

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	I (£, €, $) Acc
Share class hedging	Non-base currency share classes are hedged
Trade date	Daily
Dealing	Forward to 2pm GMT
Valuation	10.30pm GMT
Front end fee	Up to 4%
Annual management fee	I: 0.75% R: 1.25% (closed to new investment)
Ongoing charge	I: 0.97% R: 1.40% (closed to new investment)
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	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	£I: GB00B55NGS86, £R: GB00B55NGR79 €I: GB00B3SX1S66, $:GB00B3Z00X80
SEDOL	£I: B55NGS8, £R: B55NGR7 €I: B3SX1S6, $:B3Z00X8

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