WS Lancaster Absolute Return Fund

Portfolio Manager Q3-25 Report

Summary

- The fund returned +4.4% for the quarter net of fees. It was encouraging to see contribution stem largely from idiosyncratic and differentiated sources.
- Volatility fell and stocks broadly rose through the period as markets became more comfortable with tariff negotiations, while geopolitical excitement was generally more subdued. This helped Chinese, American and Japanese equities deliver the strongest returns.
- It was not a backdrop supportive of our positioning but the long book still contributed +6.2%, albeit with negative alpha, and encouragingly our short book lost only a small amount, -1.0%, generating very good alpha.
- Our largest returns came from a wide variety of holdings, including **Alibaba**, **Kering**, **ArcelorMittal**, **Oxford Nanopore**, **Liberty Global**, **Dicks Sporting Goods** and **Glencore**, which is reflective of our bottom up approach.
- From a macro perspective, we are closely monitoring the risks surrounding private credit, steepening yield curves and government fiscal management in developed economies, and the consequences of the two-tiered economy in America. There are some amber warning lights in credit markets and yet risk is priced close to record lows – a dangerous combination. We will go into more detail on this below.
- As is normal for us, we spent of lot of the quarter seeing companies (90 meetings in Q3 to be precise). It is often in such meetings – outside of results roadshows – that we find the market's current shortsightedness to be highlighted. I can't remember a market so driven by short term earnings beats and misses and less interested in medium to longer term value creation. Clearly it creates opportunity for a more patient investor, alongside the challenge of managing the volatility. Despite our more medium term focus it is fair to say that we see near term catalysts for several of our larger holdings which may help bring the market closer to our assessment of fair value.
- The fund is 26%[1] net long on a 2-year beta adjusted basis. We continue to have an underweight to US equities and overweight to Europe, especially within the UK which is providing an abundance of attractive stock ideas. That said, given our concerns about the current British government's economic policy, we continue to be short sterling as a hedge. This reduces our UK factor risk and should help isolate idiosyncratic stock risk; thereby playing to our strengths.

Performance

4.4% Quarterly performance

14.2% Year-to-date performance

10.9% CAGR since inception

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

Fund details[1]

£ I Class	542.17
£ R Class	503.87
$ I Class	3.05
€ I Class	2.87
Fund Size	£337 million
Strategy AUM	£704 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	Long Short UK UCITS

Portfolio Managers

James Hanbury

Jamie Grimston

[1] 2-year trailing beta adjusted net exposure, as of 8th October 2025

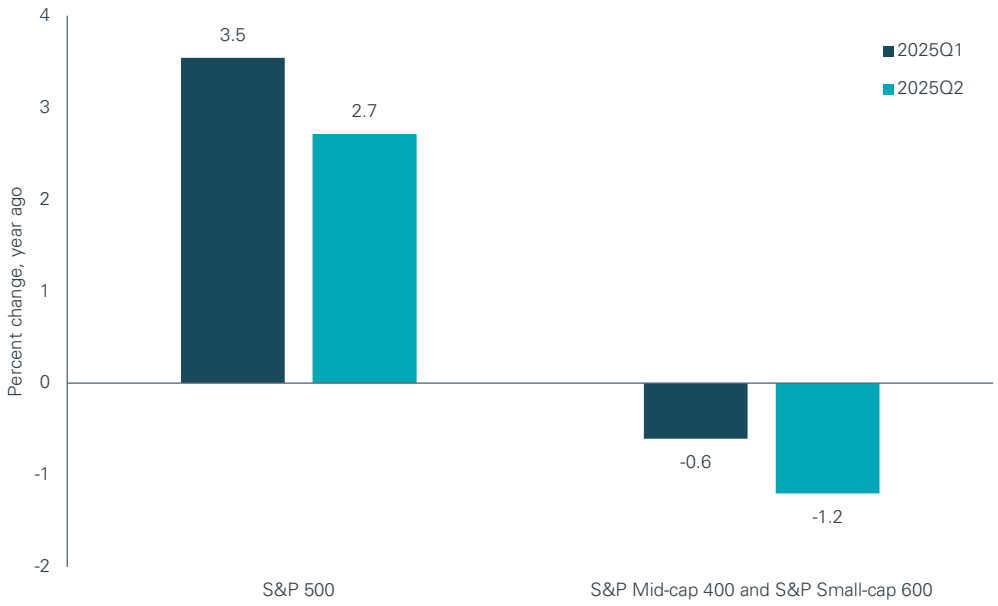
Macro observations

Rather than attempt to provide a comprehensive review of the global economy, we are going to focus on areas where we feel macroeconomic risks are being underpriced. Our process within the fund is to then try and entwine this assessment into our bottom-up stock picking. The following topics are giving us the most preoccupation at present.

Private Credit

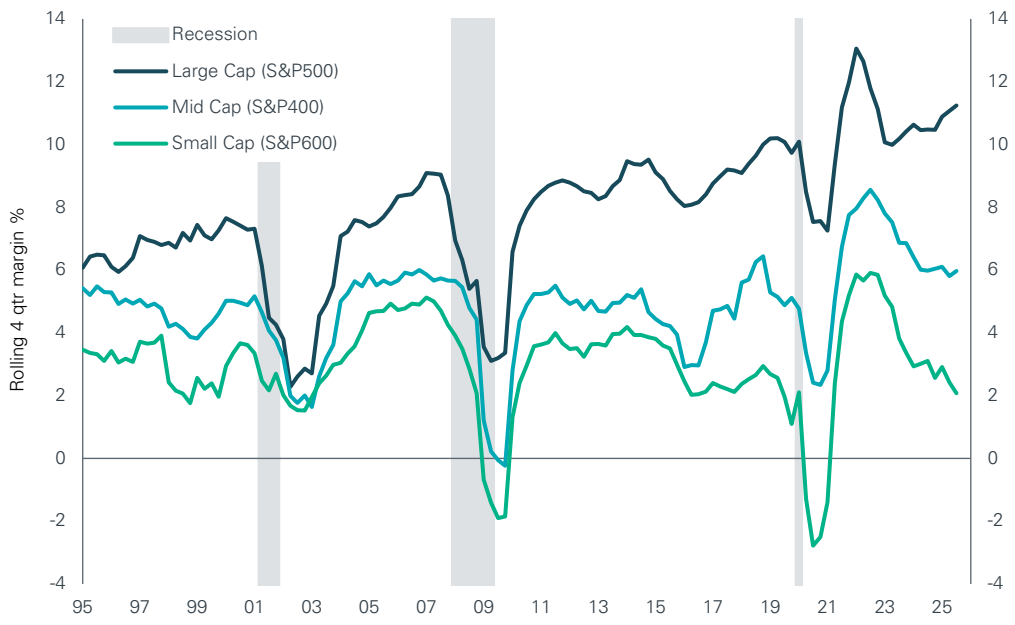
Private credit and the broader category has grown enormously in the last couple of decades. In 2010 the size of the market was $310bn and it now stands at $1.7tr; this period is interesting because it is one which is yet to experience a meaningful default cycle. Our concern is that in this two-tiered American economy it is the smaller and more leveraged companies that are struggling with their financial metrics before taking into account the cost of debt. Whilst the success of the mega caps in the US has been remarkable, it could also have led to a crowding out of smaller competitors across many sectors. The charts below illustrate that smaller companies in the US have been struggling with negative real revenues and a very different margin trajectory to their larger and better capitalised counterparts:

Exhibit 1: Real Sales Growth – US Mega and Large Caps vs. Mid and Small Caps



Source: Goldman Sachs Global Investment Research

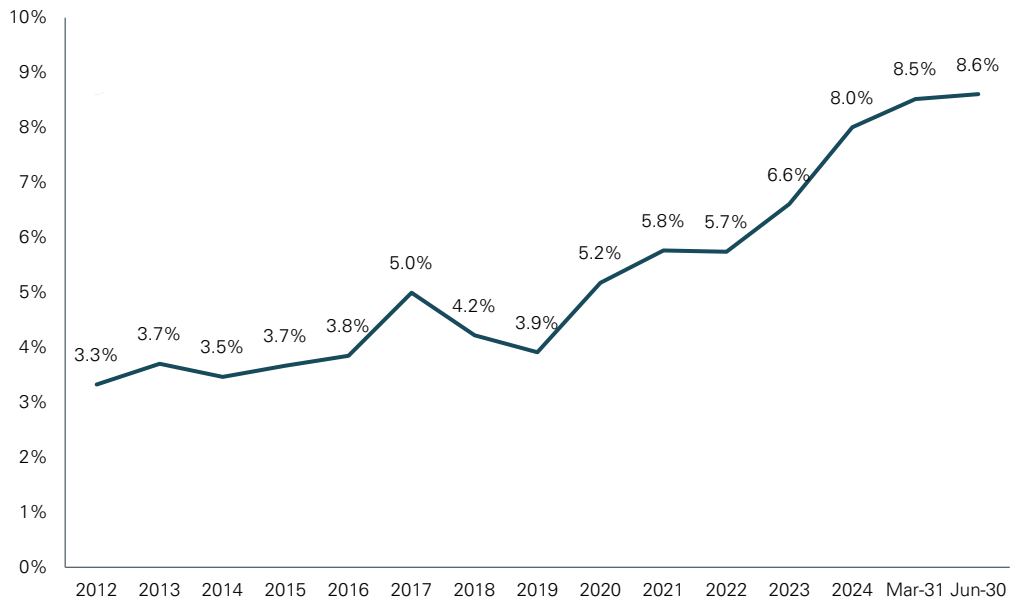
Exhibit 2: US listed sector after-tax profit margin



Source: Standard and Poor's, Bloomberg, NBER

When we look at the metrics of the listed Business Development Companies ("BDCs") – the best insight we can get into the opaque world of private credit – there are some worrying trends which indicate that the health of the underlying businesses is deteriorating. For example, the growth of payments in kind as a form of revenue collection for the BDCs:

Exhibit 3: Payments in kind as a percentage of total BDC revenue

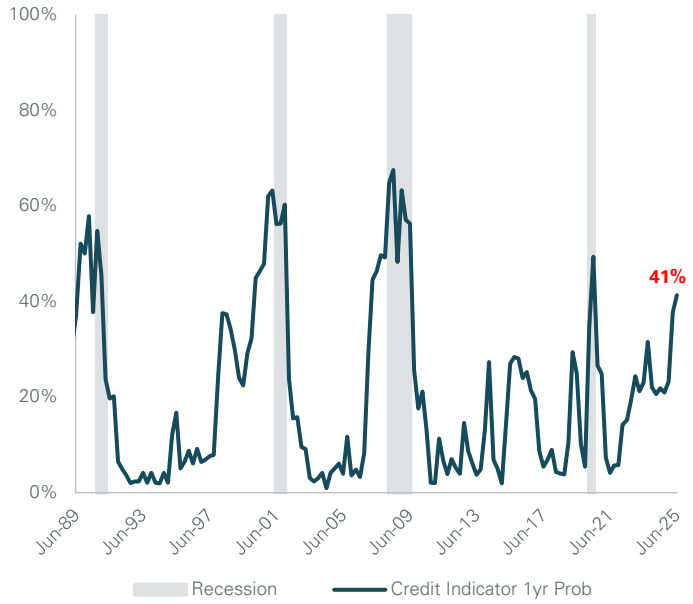


Source: Company Reports, KBW Research

Given that private credit does not go through banks' balance sheets, and that it is also covenant light, there are very few amber warning lights for investors, economists or central bankers to follow. Unlike the Great Financial Crisis where defaulting debt had a strong connection to the banking sector, the private credit sector is more independent, linking directly to asset managers and investors. Therefore, whilst material stress in private credit would have less of a systemic impact on the financial sector, it could still have a material impact on the employment market and unforeseen second order effects. The recent example of First Brands' bankruptcy shows how little due diligence credit investors are undertaking at present and how intertwined many leveraged businesses are with each other.

Whilst the credit data from the chart below is taken from the broader credit market, we still think the non-investment grade data set will show similar symptoms to private credit. The large move in the recession probability has come from the lowering in the interest coverage ratio.

Exhibit 4: UBS credit-based recession model



Source: UBS Research

Exhibit 5: UBS credit-based recession model factors

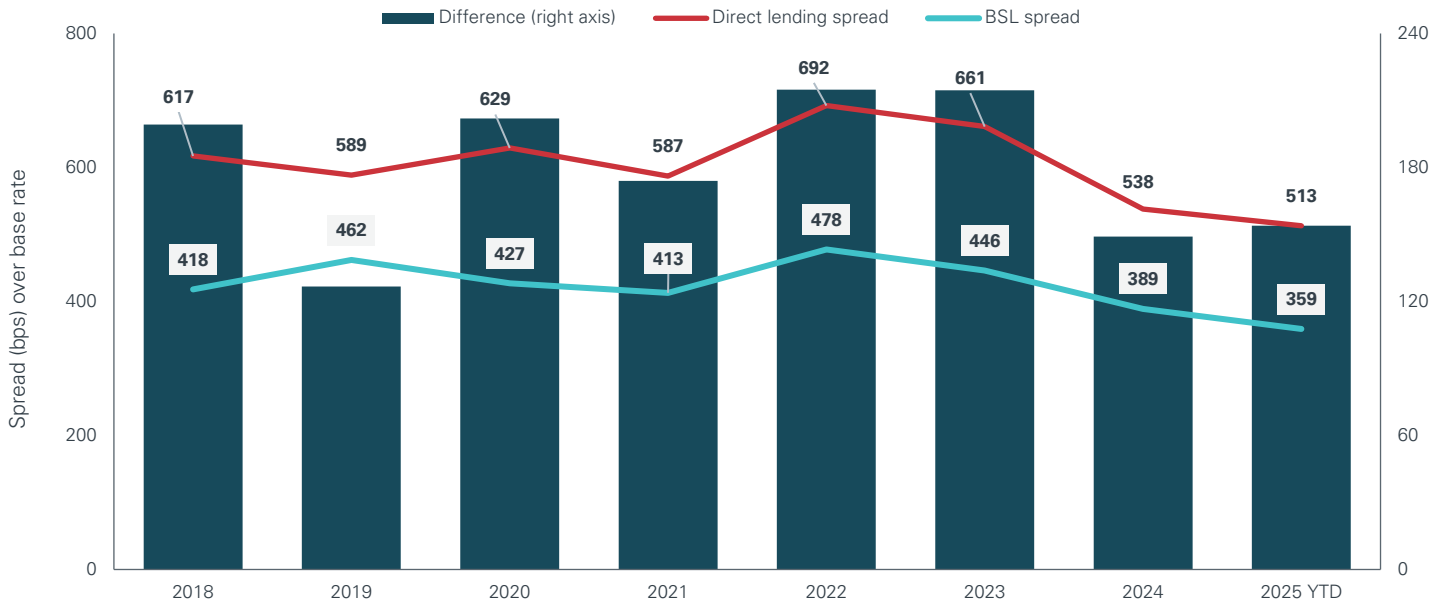
	Q4'24	Q1'25	Q2'25
Non-Financial Leverage	8%	8%	12%
Interest Coverage	0%	58%	62%
Non-Performing Loans	56%	56%	56%
SLOOS*	29%	29%	36%
Credit Indicator 1yr Prob	**23%**	**38%**	**41%**

The UBS credit-based recession model estimates the probability of recession 1-year ahead using a combination of factors. *Senior Loan Officer Opinion Survey

Source: UBS Research

A recent Fitch report – *Systemic Shock Could Expose Private Credit's Broad Reach* – on the private credit sector described it as 'exhibiting various "bubble-like" attributes'. It is fascinating to us that at a time when we believe the risks in investing in private credit are elevated, the spread in the asset class has never been lower. The danger of something being priced for perfection is that only a small disappointment can have material consequences.

Exhibit 6: LBO Direct Lending spread versus Broadly Syndicated Loan spread (bps)



Source: Pitchbook, LCD

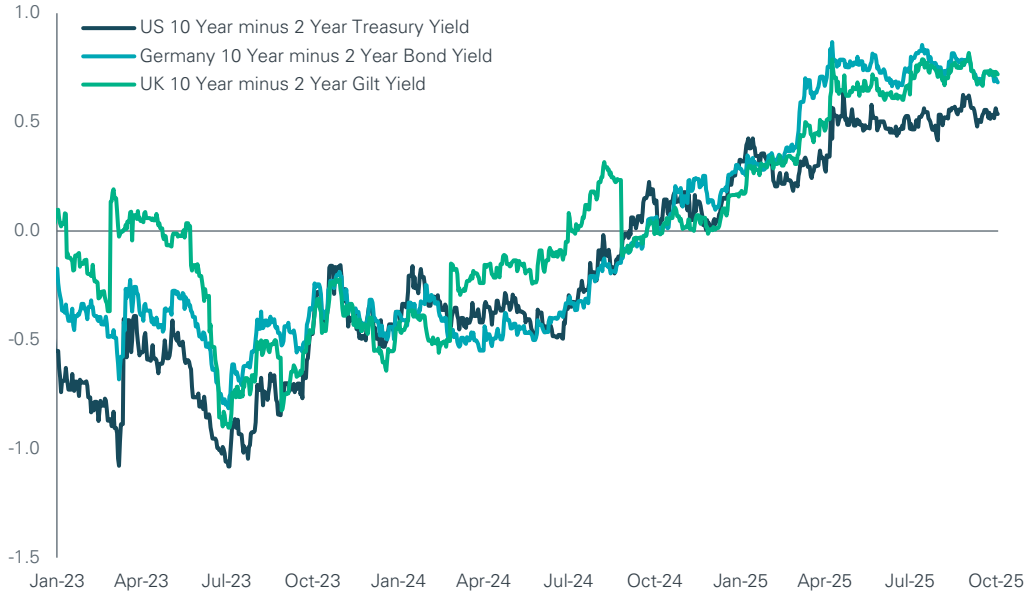
We have various short positions in the fund to express our concerns above and these have been good alpha generators for us in recent quarters.

Steepening government yield curves

Over the last few years we have seen a material steepening in government yield curves. It is not a major concern at current levels but if politicians try to exert a more dovish influence on central banks we would expect this trend to continue. We believe that such an outcome would have some fairly meaningful consequences:

- It is a relative negative for longer duration assets and valuations generally
- The cost of borrowing for corporates would increase
- Banks (particularly European ones) should benefit from rising net interest margins all other things being equal
- Consumers in many economies are more likely to switch back to floating rate mortgages which makes an economy more sensitive to rate changes
- It is a headwind for the US mortgage market given its reliance on 30 year rates
- It impacts fiscal spending decisions given the importance of future cost of debt in government budgets
- It generally moves consumers and corporates down the risk curve given the higher risk-free rate
- There may have to be some yield curve control by central banks which would negatively impact the relevant currency
- Pension funds and insurers with long dated liabilities may benefit

Exhibit 7: Yield curves have steepened across selected developed markets



Source: Bloomberg. Data as of 3rd October 2025

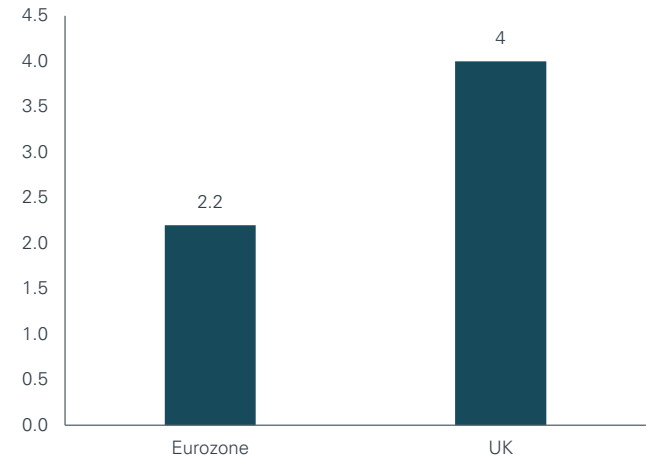
De Minimis Rules

During the quarter President Trump suspended the duty free de minimis treatment for all overseas parcels. This ultimately means that any parcel below $800 is now subject to duty. The main reason for making this change was that Chinese retailers like Shein and Temu were arbitraging these rules by shipping directly from China to the consumer to avoid any tariffs. The process of delivering to US consumers like this meant that very little economic value was given to the US economy. In our view it is inevitable that these rule changes happen in the EU and the UK; it is just a matter of how long it takes politicians to legislate. There would be positive ramifications for many of our holdings such as B&M, Zalando, Frasers and AO World if this happens. There are also some negative impacts that could play out for the parcel companies; these are reflected in some of our new recent short positions in this space.

UK Inflation

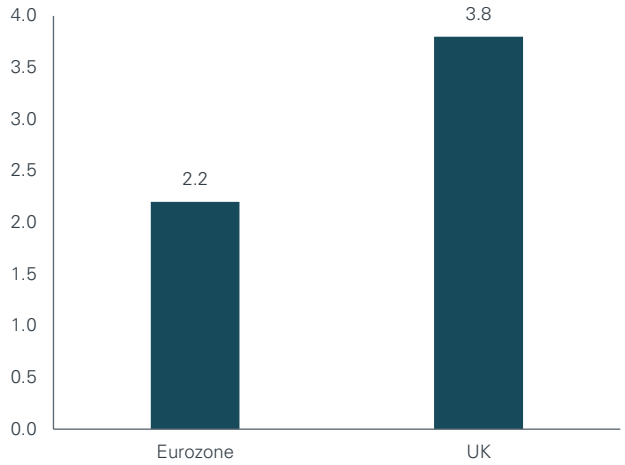
One of the policy components holding back economic growth in the UK is that interest rates are twice the level of that in the Eurozone.

Exhibit 8: Base rates in Eurozone vs UK



Source: ECB, Bank of England

Exhibit 9: Core CPI in Eurozone vs UK



Source: Office for National Statistics, Eurostat

This is linked to the fact that core inflation is significantly higher in the UK than it is in Europe. The main reason for this divergence in inflation is caused by government policies. Here are some of the government policies that have driven UK inflation higher in 2025:

- An increase in employees' national insurance contributions
- Above inflation national living wage increases, which have upward only ripple effects
- The Plastic Packaging Tax
- Energy policies

The good news is that the penny seems to have dropped for Rachel Reeves with regards to the impact government can have on inflation levels; she has been communicating with ministers to fight it as reported in the Financial Times on 9th September. Hopefully the autumn budget will reflect this.

Is the UK market the best in the world to be listed on?

There has been a lot written about how low the UK stock market is rated relative to other western markets. There are lots of puts and takes but we subscribe to the view that exactly the same company would have a lower rating on the UK exchange compared to the American. This creates an opportunity for investors and management teams who take a longer-term view. For a cash generative business trading materially below intrinsic value, the UK market offers an incredible tool for management teams prepared to reduce the share count and ultimately drive up the intrinsic value per share. This requires a management team and board of directors who understand the concept, and importantly are prepared to be patient. The value created in the medium to longer term can far outstrip that which would be available on a more fashionable market where you would start with a higher rating. Accordingly, cash generation and the ability to buy back shares is high up on our priority list for any UK listed companies we hold. Next and Plus500 would be prime examples of businesses where management teams have executed on this strategy superbly. Since Simon Wolfson took over the helm at Next in 2001, he has reduced the share count by 63%, grown EPS by +1,465% and seen a total return of the share price of +2,820% – not bad for a "boring" retailer. Since its IPO in 2013 Plus500 has reduced its share count by 39%, grown EPS by 1,465% and seen a share price total return of 7,940%.

We have presented to numerous boards and management teams around this theme of arbitraging the market; the last quarter was no exception. Of our UK holdings 50% bought back shares in the last quarter and importantly we believe this has the potential to rise to above 80% over the coming quarters.

Tennis and fund management

Reading an article about the greatest tennis players of all time, I was struck by some key similarities between tennis and the fund management industry – similarities that extend to other sports as well. The 'big four' players listed below (generous to Andy Murray) between them held the world number one spot from February 2004 for more than 18 years, winning 69 major singles titles and 5 Olympic gold medals. Despite their outstanding success and winning more than 80% of their matches, they won on average less than 54% of the points they played. Crucially however they won the important points which had a greater influence on the match outcome. The read across for fund management is that you can have a relatively flat hit ratio (percentage of stocks that are relative or absolute winners), as long as you have a good payoff asymmetry; this is especially true in value-driven fundamental investing. It is therefore important to seek investment opportunities with sufficient upside to provide such asymmetry, combined with a process that enables the duration to optimise the payoff potential. Core components of this process include: portfolio construction (sizing your positions appropriately), undertaking deep granular work on businesses and industries, and fostering strong relationships with management teams who share our long term investment horizon. While we certainly wouldn't put ourselves on the same level as the 'big four', their example is a reassuring reminder of the multidimensional nature of success.

Exhibit 10: Career statistics for the 'big four' tennis players

Player	Weeks as world number 1	Majors won	Matches won	Points won
Novak Djokovic	428	24	83.90%	54%
Rafael Nadal	209	22	82.90%	54%
Roger Federer	310	20	81.90%	54%
Andy Murray	41	3	73.80%	53%
Total/Average	988	69	80.63%	54%

Source: The Sunday Times, ATPTour.com

Exhibit 11: WS Lancaster Absolute Return statistics

Strategy	Sample size	Hit rate (relative)	Payoff (relative)
Long book	854	53%	127%
Short book	814	53%	146%
Combined	1668	53%	134%

Note: Hit rate and Payoff data is annualised and relative to MSCI World Net TR (GBP) Index. Source: Lancaster IM, Essentia Analytics

Performance & positioning

Long book

The long book had a good quarter with absolute returns of +6.22%.

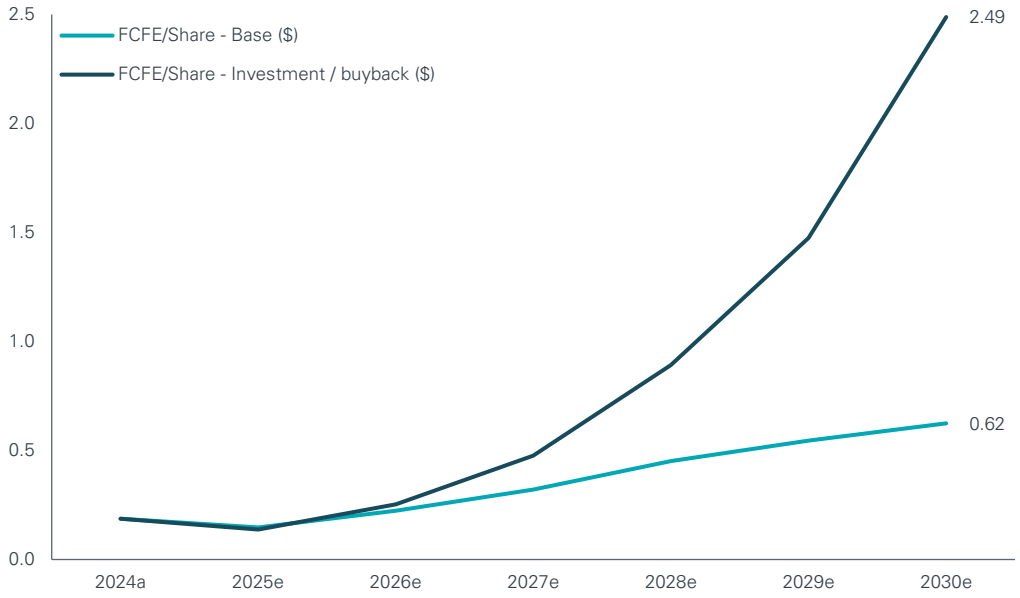
While it may appear that our three leading contributors (**Kering** +1.35%, **Alibaba** +0.95% and **Glencore** +0.86%) simply benefitted from Chinese factor exposure, stock specifics played an important role.

Liberty Global's spinout of Sunrise to shareholders has proven to be a value accretive exercise and the shares benefited during the quarter (+0.62%) after management flagged that they will spin out at least two more assets over the next 12-24 months. We would expect this to be positive for the share price given its negative enterprise value.

It is very clear that AI is going to play a large role in economies going forward and not surprisingly our use as a team has grown exponentially across multiple applications. The harder question is picking the winners and losers in the context of what is already priced in, given the risk of investment running ahead of demand and how barriers to entry hold up for high margin businesses in the supply chain. In this regard we feel the harder battle is with the marquee names where valuations are already high. The interesting part is finding first derivative beneficiaries where there is little expectation embedded in the share price. Liberty Global is one of the less obvious names in our book with its growth in data centres and **Nokia** would be another with its increased equipment exposure to the data centre and hyperscalers after the Infinera acquisition. Nokia trades at c. 9x EV/EBIT for 2026.

IWG (+0.78%) continues to execute in line with our thesis. Assuming nothing material changes in the next few quarters the company will start to show how the capital-light Managed and Franchised ("M&F") division is contributing to overall growth and cash generation. We believe this will be an important proof of concept for the market. Ironically, counter to popular belief, a weak office environment is a good setup for IWG to grow its M&F network – due to corporates cutting permanent space and requiring more flexible workspace solutions. Given the materially higher return on capital in its M&F division, further investment here is logical. Modelling a credible scenario of increasing its investment in the M&F division by $50m and using FCF to buy back shares produces some stunning outcomes. The chart below shows where free cash flow per share would get to in this scenario and what fair value would be derived from a 6% free cash flow yield.

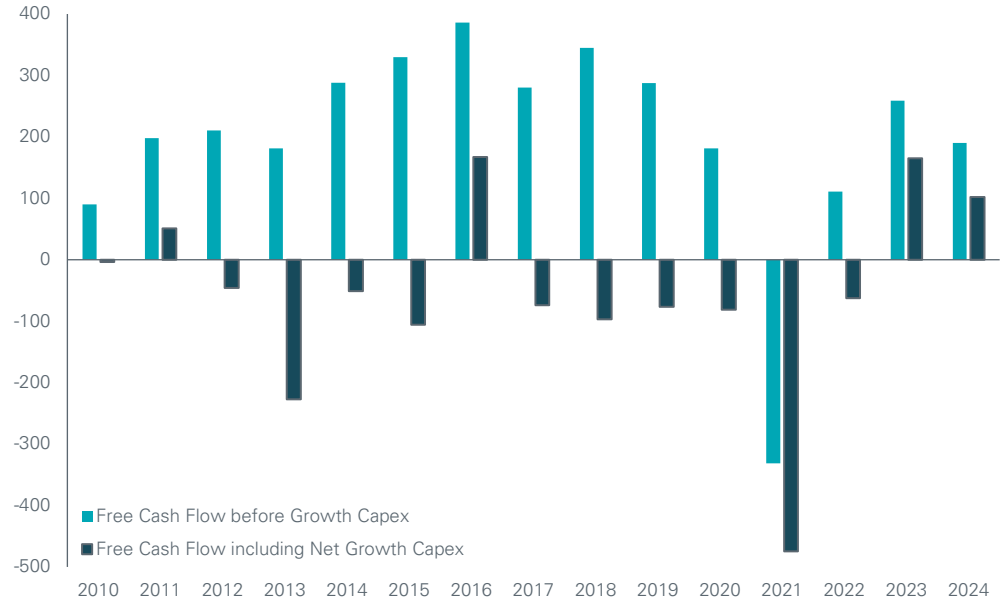
Exhibit 12: IWG free cash flow scenarios – management guidance vs increased investment & buyback



Source: Company Reports, Lancaster IM

The chart below of historical FCF shows how Mark Dixon, the founder and CEO, has carefully invested to build this dominant global network of serviced offices. These years of investment give IWG the platform to grow the M&F model and increase the company's economic moat.

Exhibit 13: IWG free cash flow



Source: Company Reports. Cash flow before growth capex, share repurchase, dividend, non-recurring items, IRFS 16 and after interest and tax.

Zalando is a position that we built up during the quarter; it is the leading European online apparel retailer with a 12% market share. It was founded in 2008 by David Schneider and Robert Gentz and is still run by the founders and a co-CEO David Schroeder. The business has two divisions:

1) Firstly, it has a B2C Division which is the online retailer transacting with customers; this is currently 90% of revenues and is constantly gaining European market share. The offering is extremely competitive when you look at range, prices and delivery terms. We believe Zalando is currently the most advanced European retailer in terms of using AI and personalisation. The company with its 52 million active customers can leverage the scale of its data and drive home its advantage.
2) The second part of the business is a B2B operation which offers fulfilment logistics services for retailers and brands both on and off the Zalando platform. This is done largely under the name Zeos. The company also help customers move onto Zalando and third-party marketplaces through its Tradebyte business. Lastly in the B2B division there is a company called Scayle, which came with the acquisition of AboutYou, which helps brands and retailers build a B2C business using the Zalando's technology stack.

We believe that Zalando now has an unassailable lead in offering fulfilment logistics services for European online retailers. This point was driven home by Next, which announced that it has now outsourced all of its logistics in continental Europe to Zalando. There should be a virtuous circle with scale and we expect the company to announce further large enterprise wins each year. This division should grow faster than the B2C division with significant margin expansion.

Despite performing well over the last few years – Zalando now has revenues and adjusted EBIT above the COVID peak – the valuation of the shares is near its long-term lows. The 2026 EV/sales multiple of 45% suggests that the market is incredibly sceptical of the company's medium and long term targets. Management are guiding to 5-10% revenue CAGR by 2028 and 6-8% adjusted EBIT margins; longer term they are guiding to 10-13% adjusted EBIT margins. Cash conversion is strong and there is over €1bn of net cash on the balance sheet after the AboutYou deal. If management do hit their 2028 targets we envisage a scenario where the shares could at least double.

Exhibit 14: Zalando 12m forward P/E ratio

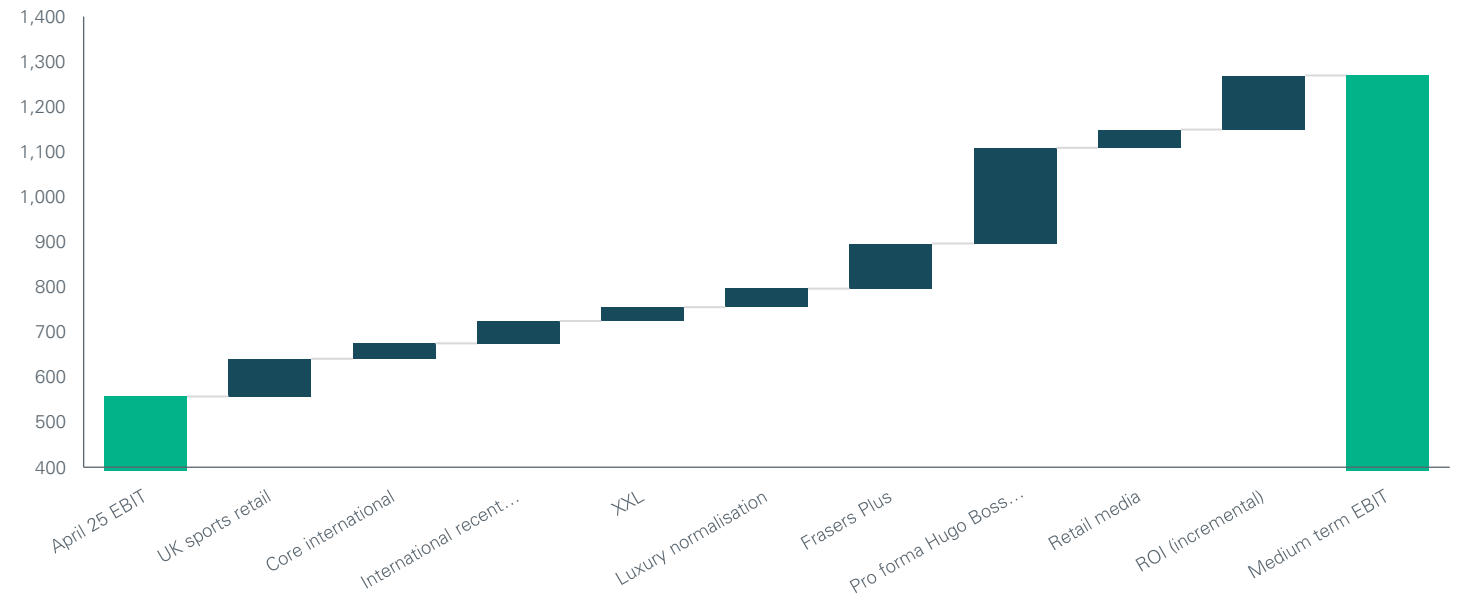
Source: Bloomberg

Exhibit 15: Zalando 12m forward EV/sales

Source: Bloomberg

Frasers (+0.84%) Has been a long-term 16-year successful investment for us. Consolidation for global sports retailers and the fragmentation of brands is playing into their hands. The shares are already incredibly cheap on an EV/EBIT ratio of 7.6x EV/EBIT April 2026 given the quality of the business and we can easily see a scenario where EBIT could more than double on a three to four year view, illustrated by our waterfall chart below.

Exhibit 16: Medium term path for Frasers' EBIT



Source: Company Reports, Lancaster IM

Jet2 was our largest detractor (-0.97%) in the quarter after a guidance downgrade. We believe this is a cyclical issue driven by too much capacity which the industry is already in the process of correcting; this does not change our longer-term view of the investment case. We recently visited the company headquarters and came away encouraged about the prospects for AI-related improvements in revenue management as well as potential marketing savings from repeat customers using the Jet2 app. Meanwhile the company continues to buy back their own shares which on our numbers are trading at c. 7x earnings and c. 4x EV/EBIT for FY March 2026.

HBX cost -0.89% as the market reacted badly to a guidance downgrade at its Q3 results in July. Whilst clearly disappointing – coming so soon after the company IPO'd earlier this year – we felt the problem was more one of communication than of anything structurally wrong with the business. HBX is the world's largest independent B2B provider of hotel rooms, connecting c.250k hotels with 60k distribution partners such as offline and online travel agents, tour operators and loyalty programmes. The company's sweet spot is in long-haul longer lead-time bookings which unsurprisingly took a hit during the recent tariff uncertainty and in hindsight the company were too slow to correct the guidance they had set prior to 'Liberation Day'. We believe in time this will normalise and that the business has a right to exist in a space where both supply and demand are so fragmented. In our view the current valuation multiple of c.7x forward earnings and 5.5x EV/EBIT offers an attractive risk-reward setup from here.

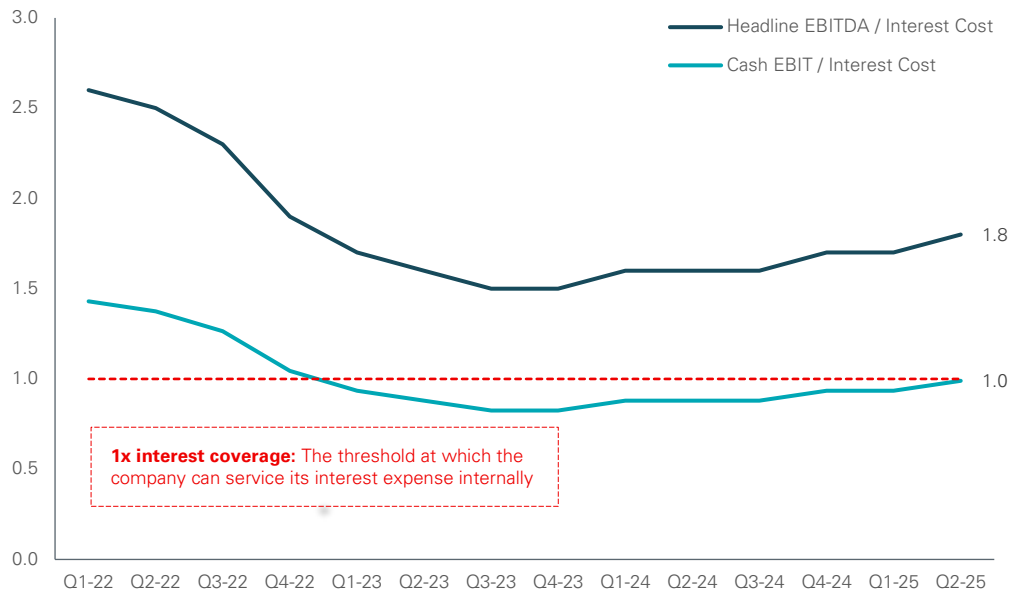
One of the disappointing performers was Conduit Holdings (-0.28%) our Bermuda based reinsurance business. Underwriting results in the first half were disappointing mainly linked to Conduit's overexposure to California wildfires and overreliance on quota share. That said, it should still deliver a positive ROE this year. The market derated the shares materially and they now trade on 0.7x times book value. The company should start next year under-leveraged and in a clean position to be able to generate returns more in line with the industry, which is still very profitable and capable of delivering returns on tangible equity in the mid-teens. The book does not have a long tail and the results of the turnaround could be seen relatively quickly. If the shares stay at this level we believe the company will either attract interest from potential buyers or it will enact a meaningful share buyback.

Short book

The short book cost the fund -1.05% in the quarter which represented very strong alpha against a backdrop of the MSCI World Net TR (GBP) Index up nearly 10%. As is often the case, many of our short positions were covered (closed out) in the quarter after profit warnings or periods of bad performance. Examples of these were On Holding (+0.28%), Puig (+0.28%), Lululemon (+0.24%), Adidas (+0.21%) and Novo Nordisk (+0.15%).

Our top contributor on the short side was FS KKR Capital (+0.67%), a BDC run in partnership by KKR and Future Standard. As a reminder this is a leveraged vehicle that lends private credit to a group of companies. The chart below shows how little breathing space there is for the underlying companies to pay their interest bills. The headline number is given by FS KKR itself and shows the ratio of aggregate portfolio companies EBITDA to the interest due on their debts. For the dotted line we make various assumptions to derive a likely "Cash EBIT", in particular removing "EBITDA addbacks", deducting capex and working capital charges given these are non-discretionary costs for a going concern. Our methodology is intended to follow industry practice. The result is a picture where, despite some recent recovery, headline interest cover has fallen considerably to 1.8x vs "prudent underwriting" originally set at c. 2.5x before base rates began to rise in 2022, and where true cash cover on our view may be below 1x. Below 1x means that on average these portfolio companies are barely able to fund their debt costs from internal cash flow. That would clearly be a dangerous scenario for borrower and lender. We believe this view is supported by rising proportion of payments in kind ("PIK") in FS KKR's and other BDCs' revenue lines, and by rising instances of "non-accrual" provisions at certain BDCs also.

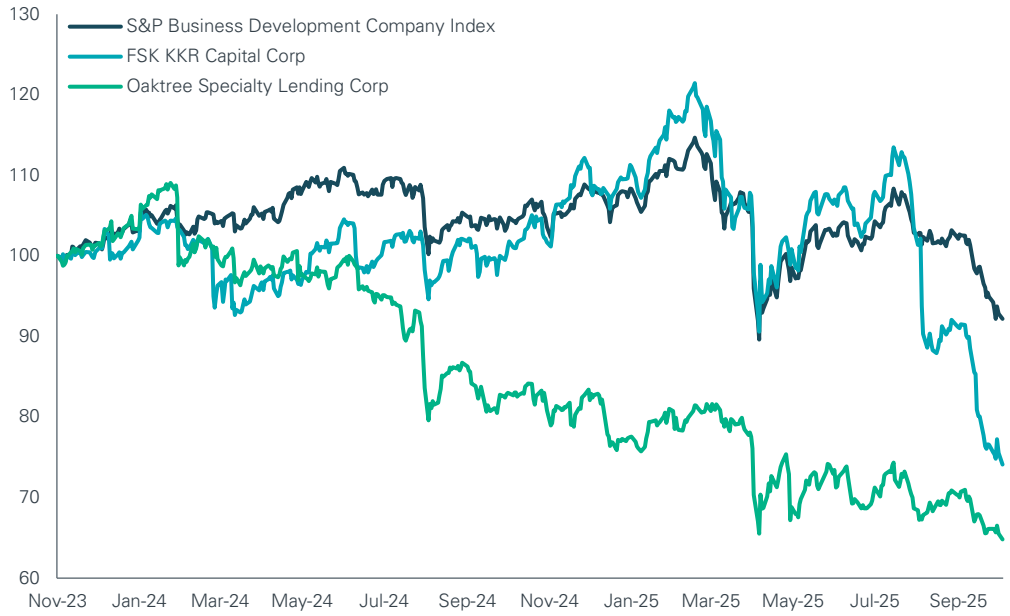
Exhibit 17: FS KKR – Interest coverage ratios



Source: Company Reports, Lancaster IM

We have spent considerable time analysing the BDCs and the broader private credit space so it is satisfying to see that our two shorts – **FS KKR Capital** and **Oaktree Specialty Lending** – have significantly underperformed the sector since we implemented the positions. Other successful shorts for us in the quarter linked to private credit were **Ares** (+0.11%) and **Blue Owl Capital** (+0.42%).

Exhibit 18: FS KKR and Oaktree Specialty Lending have both underperformed the broader BDC sector



Source: Bloomberg
Bloomberg tickers: SPBDCUP Index, FSK US Equity, OCSL US Equity. Indexed to 100 at close on 3rd November 2023.

From a performance perspective there was a fascinating dichotomy in the quarter. The private credit space performed poorly due to concerns about the health of its lending counterparts and yet the private equity related shares (that actually own these sickly companies) performed much better. Our shorts in Blackstone, KKR, EQT and Partners Group were all up in the quarter.

Our sporting goods shorts again all made money for the fund in the quarter as industry inventory levels and discounting rose. Challenger brands are finding it particularly unhelpful that the two largest players in Nike and Adidas are at present trying to aggressively rebuild revenues, especially in a weaker consumer environment.

We have added several new short ideas to the book in recent weeks. One of our biggest concerns is not being able to find enough good new ideas on both sides of the book; the reality is that competition for capital our biggest problem.

Portfolio Positioning and Characteristics

Overall the profile of our book has not changed much during the quarter. We remain overweight Europe and underweight the US, with the UK being our largest single market overweight. We have shorted sterling against the dollar, euro and yen to try and minimise UK macro risk. The long book continues to have a value bias both in absolute terms and relative to our short book and the market. Our conviction in our top long positions is reflected by our concentration in those names. The 2-year beta adjusted exposure is +26%.

Exhibit 19: Median valuation metrics of the Fund's long and short books and the MSCI World Index (market cap weighted), as of 7th October 2025

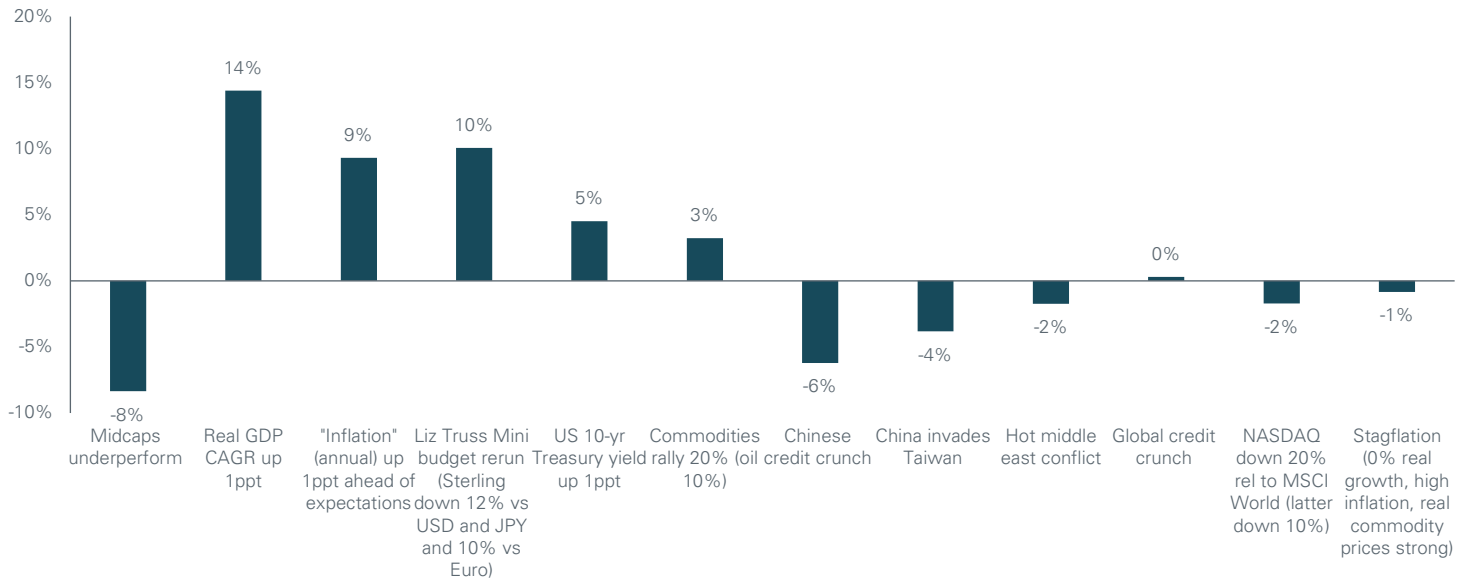
	Next 12 months P/E	Next 12 months EV/EBIT	Next 12 months EV/Sales
Fund long book	13.1	11.0	1.1
Fund short book	21.3	20.3	5.7
MSCI World	20.4	17.0	3.1

Source: Lancaster IM, Bloomberg

Conclusion

The fund had a good quarter, returning +4.4% net of fees. Performance was driven by a diverse spread of positive contributors rather than a dominant theme or factor skew. Most of these were not the big names in the book but what we refer to internally as the engine of the portfolio. We retain a high level of conviction in our names from a micro perspective on both sides of the portfolio, and are comfortable with our relatively low beta adjusted exposure of +26%. The market is implicitly very comfortable with the current macro backdrop given how tight credit spreads and low equity risk premiums are. We will undoubtedly be wrong on any specific macro forecasts but we see numerous high-level risks undiscounted by the market. Thank you as ever for your support and we look forward to updating you on our conference call.

Exhibit 20: WS Lancaster Absolute Return (LAR) | Estimated factor return as of 6th October 2025



Source: Lancaster IM unaudited internal data & Bloomberg, as at 06-Oct-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

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:
  - 10.9% 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.

WS Lancaster Absolute Return Fund

Net Performance (GBP)

	1-month	3-month	1-year	3-year	5-year	YTD	Inception	Inception CAGR
Fund	4.8	4.4	6.7	29.0	71.7	14.2	442.2	10.9
MSCI World Net TR GBP	3.6	9.3	16.8	56.6	88.1	9.2	594.9	12.6
Relative	1.2	-4.9	-10.0	-27.6	-16.3	5.0	-152.7	-1.7

Yearly Trailing Performance (net)

1-year to	30-Sep-25	30-Sep-24	30-Sep-23	30-Sep-22	30-Sep-21
Fund	6.7	4.4	15.9	-13.2	53.3
MSCI World Net TR GBP	16.8	20.6	11.2	-2.8	23.6
Relative	-10.0	-16.2	4.6	-10.4	29.8

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	1.1	-1.5	4.8				14.2
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	542.17
£ R Class	503.87
$ I Class	3.05
€ I Class	2.87
Fund Size	£337 million
Strategy AUM	£704 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	Long Short UK UCITS
Comparators	Primary: Cash Secondary: MSCI World Net TR GBP
Base Currency	GBP

Team & contact details

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Top 10 Long Equities

	% NAV
IWG	9.5%
Frasers Group	9.3%
Plus500	9.1%
Ubisoft Entertainment	8.8%
Glencore	4.4%
Zalando	4.4%
B&M European Value Retail	4.4%
ArcelorMittal	4.3%
Conduit Holdings	4.2%
Centrica	4.1%

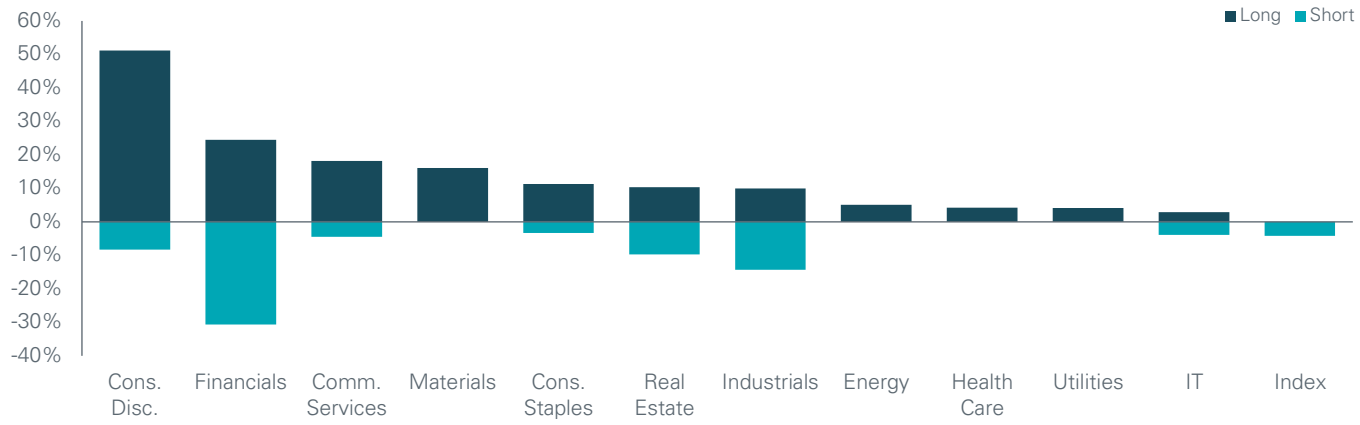
Portfolio Characteristics

Long position count	58
Short position count	33
Total gross exposure	236%
Total net exposure	79%
Gross long exposure	158%
Gross short exposure	-79%
Beta adj. net exposure (2-year)	33%

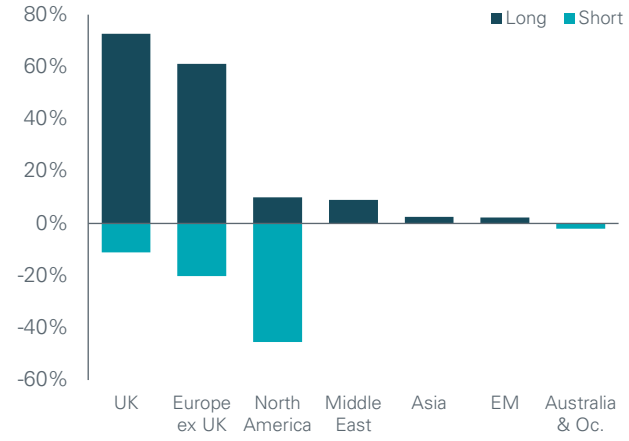
Important information
These figures refer to the past. Past performance is not a reliable indicator of future results. This document is a marketing communication. Before subscribing please read the prospectus and the KIID, available upon request from Lancaster IM. The performance calculation shown is 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 September 2025.
[1]Waystone and Bloomberg, calculation on a NAV basis with net income reinvested.

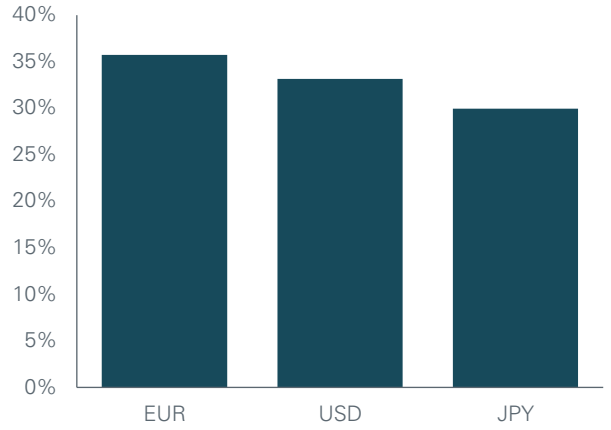
Equity exposure by sector



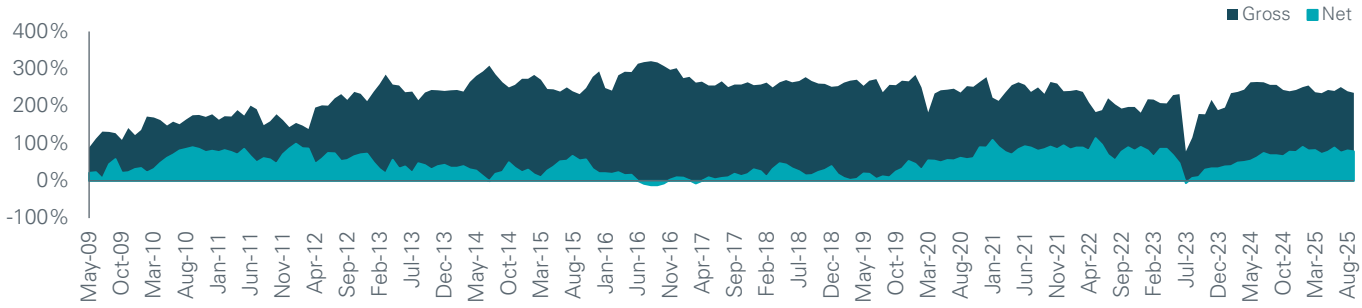
Equity exposure by geography



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 September 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.), R[2]: (£ 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[2]: 1.25%
Ongoing charge	I: 1.09%, R[2]: 1.59%
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	£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, €I: GB00B3SX1S66, $I:GB00B3Z00X80, £R[2]: GB00B55NGR79
SEDOL	£I: B55NGS8, €I: B3SX1S6, $I: B3Z00X8, £R[2]: B55NGR7

[2] Share class is closed to new investment

Important Legal Information and Disclaimer

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