

WS Lancaster Absolute Return Fund

Portfolio Manager Q4-25 Report

Summary

- It was a good year for the fund returning +12.7% in sterling net of fees (with sterling +7.7% against the dollar). We delivered returns almost exactly in line with a strong market despite having a daily and weekly r-squared against the MSCI World Index of 0.00 and 0.10 respectively over the year¹.
- It was a disappointing final quarter, returning -1.4% net of fees. Our long book generated returns of +1.1% for the period with negative alpha and our short book generated returns of -2.5% with positive alpha. Our largest positive contributors for the period were long **Plus500**, **Nokia**, **ArcelorMittal** and **Glencore**, while our standout negative contributors were long **Ubisoft** and **B&M**.
- Over the course of 2025 our long book delivered good absolute returns, contributing +20.1%. This represents broadly neutral alpha against the MSCI World GBP Index, albeit with a very different return profile. It was a year where the majority of our core positions made good progress operationally but where much of this progress has not yet been reflected in share price performance. This gives us optimism as we move into 2026 that the foundations for further business growth have been laid and the upside skew to share prices becomes even more compelling. Our short book, while costing the fund -6.6% in absolute terms, produced strong alpha of 10.5%.
- Our strongest performers for the year were long **IWG**, **Plus500**, **ArcelorMittal**, **Commerzbank** and **Deutsche Bank** and short **Deckers** and **Lululemon**. Our biggest detractors were long **Ubisoft** and **B&M** and short **Nvidia**.
- From a macroeconomic perspective, 2025 delivered some significant events, although some of which now feel like a distant memory:
 - 'Liberation Day' was full of surprises: firstly the level and quantum of the original tariffs, secondly the ease with which the market digested the aggressive US trade stance, and latterly China's strong negotiating posture; China has been able to play hard ball due to the added diversity of its exports, the critical value it holds in supply chains (including rare earths) and its political term.
 - Although it has been a slow process, it feels like the odds of an end to the Ukraine war in the next twelve months have significantly improved in recent quarters. This would bring economic tailwinds to Europe that would be beneficial to many of the companies we own.
 - The UK ended 2025 with a better outlook for inflation and interest rates given a disinflationary budget, but arguably in a more volatile position politically given the elevated likelihood of a Labour leadership contest. Cognisant of this we continue to hold a long euro short sterling position to try and isolate the stock risk in our UK holdings which we see as extremely attractive.

Performance

-1.4% Quarterly performance

12.7% Year-to-date performance

10.6% CAGR since inception

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

Fund details¹

£ I Class	534.76
£ R Class	496.38
\$ I Class	3.00
€ I Class	2.82
Fund Size	£337 million
Strategy AUM	£681 million
Fund Inception	11 May 2009
Class Inception	11 May 2009
Fund Type	Long Short UK UCITS

Portfolio Manager

James Hanbury

¹ Source: Bloomberg: R-Squared of WS Lancaster Absolute Return GBP I Acc versus MSCI World Net Total Return GBP Index, 1st January 2025 – 31st December 2025

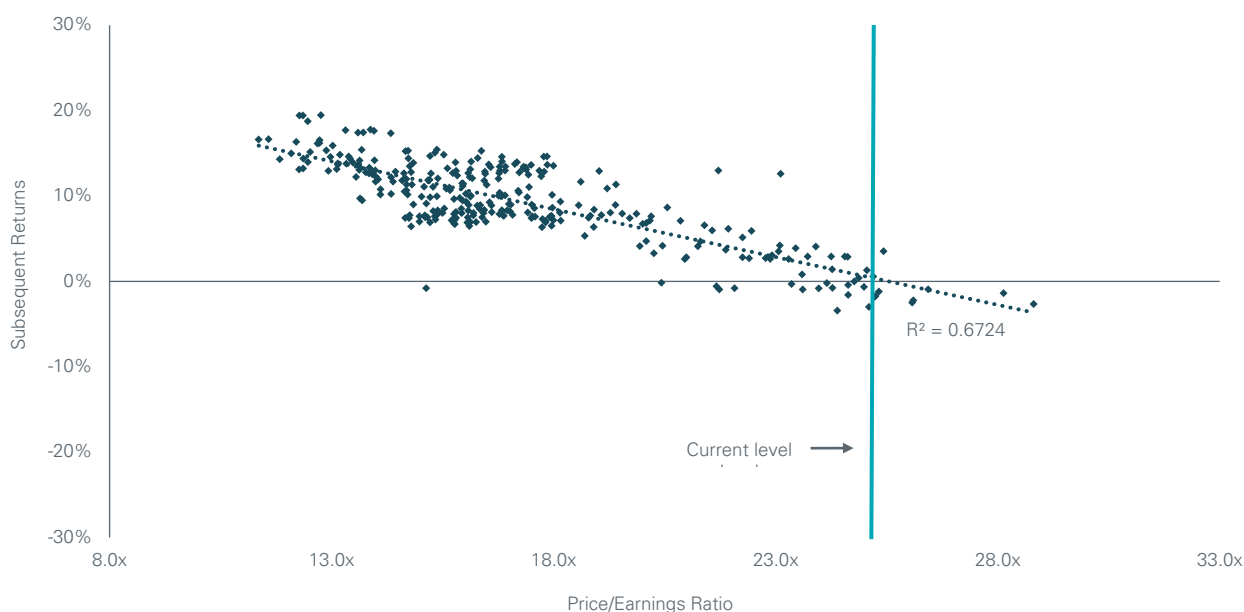
- iv. The magnitude of recent AI infrastructure announcements is starting to invite comparisons to historical investment bubbles when considering the scale of capital outlays relative to GDP and the quantum of incremental profitability required to generate an acceptable return.

Macro observations

The US

Although we are predominantly bottom-up investors, it is important to observe that the valuation for the American market is in top decile territory with history suggesting this does not lead to stellar returns in future years. It gives us more confidence about the idiosyncratic setup in our book which should be broadly market independent as was proven in 2025.

Exhibit 1: Historical S&P forward P/E ratios and subsequent 10-year returns

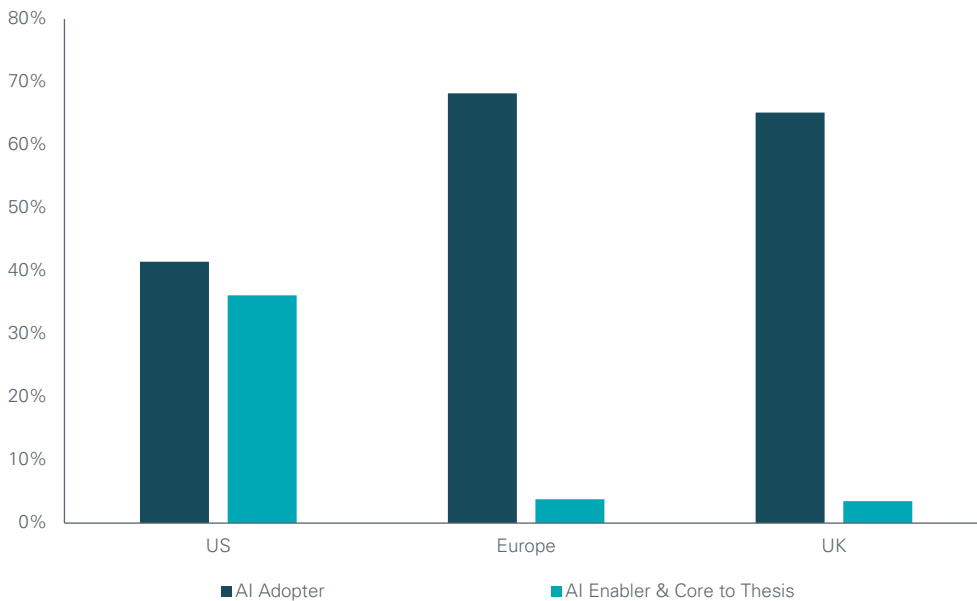


Source: J.P. Morgan Asset Management, Bloomberg

Artificial Intelligence

We find this AI investment cycle fascinating to observe for the US mega-caps. For a couple of decades US hyperscalers have been free riding on fixed line infrastructure investments by the telecom and cable companies (the frustration behind this is covered by John Malone in his excellent new autobiography 'Born to be Wired'). For example, because of net neutrality rules Comcast could not charge Netflix, YouTube or Prime Video for using huge amounts of its bandwidth. This time around the hyperscalers themselves are having to fund the infrastructure for the AI investment cycle. Therefore, given the scale of the capital deployment required and the highly competitive landscape, it may well be that for the next phase it is better to be an AI user than a capital-intensive AI enabler.

Exhibit 2: US companies are skewed toward AI producers, but European companies are skewed toward AI consumers/adopters



Source: S&P 500, MSCI Europe, FTSE, Factset, LSEG Data & Analytics, Copyright 2026 Morgan Stanley

Private Equity and Credit

2025 was another disappointing year for the private equity industry, in particular their lack of ability to exit investments at a required pace. This is reflected in PE managers selling more investments to 'themselves' in continuation vehicles or equivalent than ever before: c.19% of all sales for the first half of 2025². That certainly moves the industry up the risk curve and increases the pressure on the performance of recent vintages. Meanwhile, a more strained relationship between general and limited partners (investors) is not a good setup for future flows.

The private credit industry is inextricably tied to this, and it has been pleasing to see our thesis in this segment start to play out. There have been numerous examples in the latter half of 2025 (First Brands, Tricolor, Renovo) where the industry is suffering from questionable capital allocation; indeed our channel checks are showing increased severity in typical indicators of stress. This is not surprising to us after the enormous growth phase that private credit has been through, where most incentives have been geared towards loan deployment rather than loan due diligence. While consensus maintains that the sector's issues so far are idiosyncratic not systemic ("cockroaches in the kitchen" has been a point of increased discussion), we maintain our view that interest rates plus spreads are simply too high for many highly leveraged mid to small-cap businesses to handle. The two-tiered American economy means that the bottom half is suffering from the heat of the AI investment boom. The picture for the private credit industry has changed because in our view balance sheet liquidity – which allowed indebted corporates to manage through 2022-24, and lenders to extend and pretend – has now been utilised.

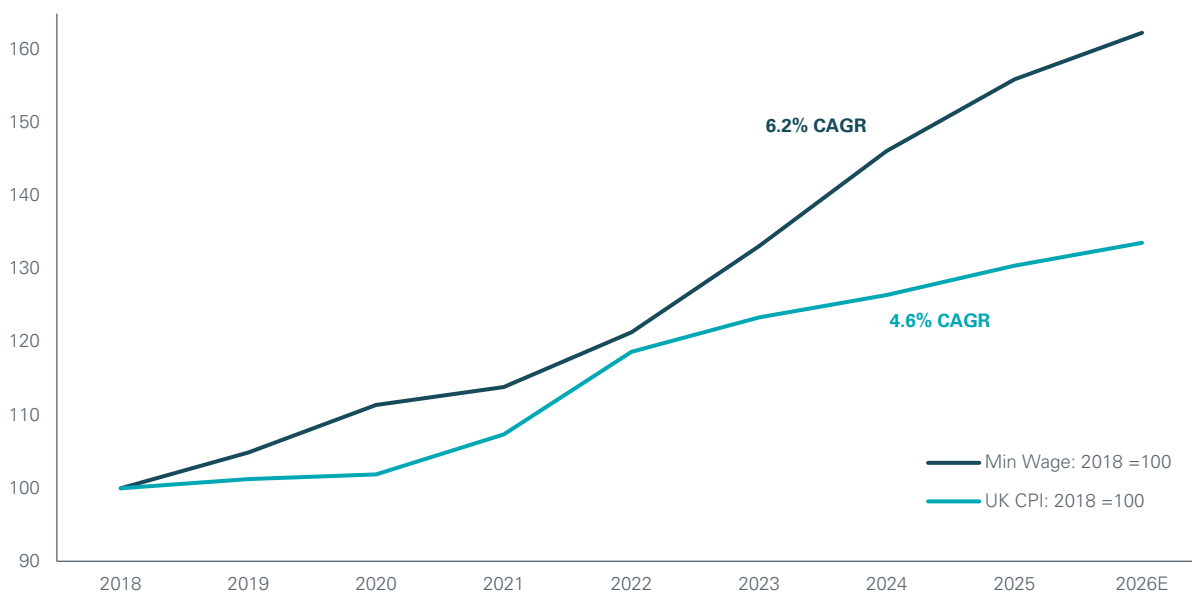
Borrowers therefore are now reliant on their internal free cash flow and lenders will have to reflect this. Data that we follow shows that borrowers are facing negative free cash flow and are therefore struggling to pay down debt, resulting in leverage multiples actually rising consistently on deals across vintages from 2019 to 2024.

² Source: Lincoln International

The UK

There was evolution in the UK macroeconomic landscape through 2025 which we feel has improved versus twelve months ago. The chancellor belatedly recognised the full implications of her own policy-induced inflation from the October 2024 budget. In 2025, she did not repeat the mistake of sharp tax increases on entities, namely companies, who have pricing power. Accordingly, the 2025 budget achieved a moderately disinflationary outcome whilst administering further fiscal tightening. This creates a good setup for falling inflation and interest rates this year. Additionally, having followed UK equities closely for more than two decades, I cannot remember a time when so many companies are talking about productivity savings to reduce labour costs. This is a natural response to many years of above inflation increases in the cost of labour, mainly brought about by government policy.

Exhibit 3: Minimum wages have comfortably outpaced Consumer Prices in the UK



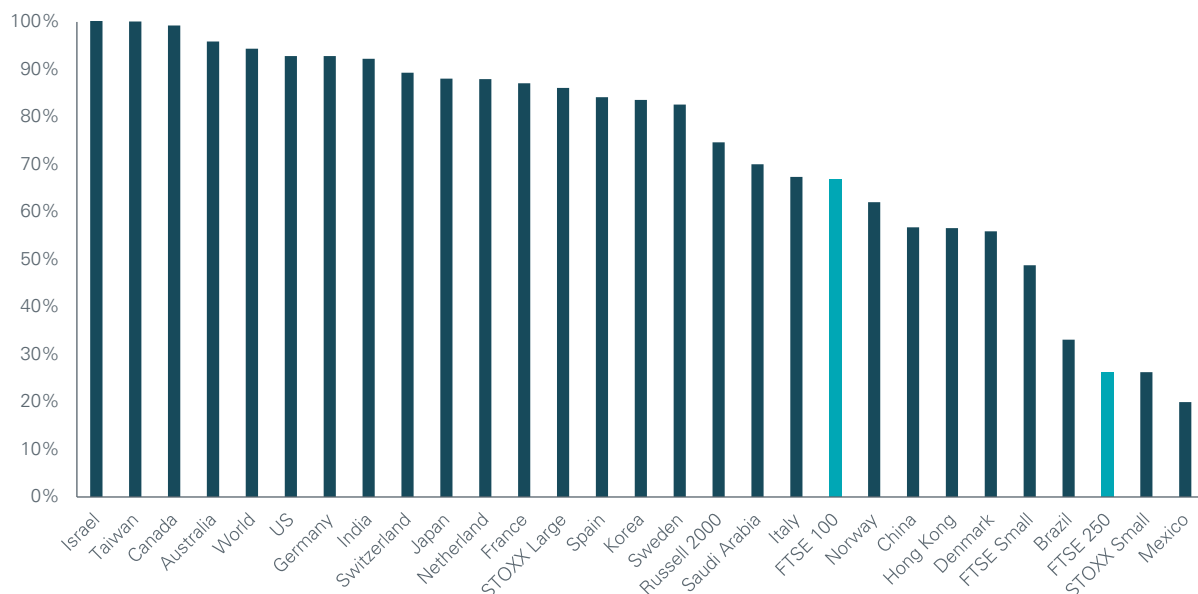
Source: Office for National Statistics, www.gov.uk

This extra pressure on the labour market is probably underestimated by many economists. We can see a likely scenario where the UK employment market is weaker than expectations leading to interest rates falling faster and to lower levels than is currently priced in. This would be good for domestic demand and in particular the housing market which is a huge focus for this current government to try and reignite. History suggests that lower interest payments for the consumer more than outweigh the negative of rising unemployment in all but the most abrupt downturns. The broader listed UK housing sector therefore finds itself in an unusual situation where valuations are cheap, there should be structural demand stimulus and potentially additional government support. We have increased our positions in UK housebuilders in recent weeks and continue to hold other housing related companies like Howden Joinery and the brick companies.

The political outlook for the UK is uncertain, with recent polls suggesting the Prime Minister and Chancellor are the least popular on record³, and it is highly plausible that there will be a leadership challenge this year. Whilst this backdrop has contributed to the heightened risk premium being placed on UK-listed shares, it also provides some exceptional investment opportunities. Our UK-listed longs generally benefit from being market leaders in their space and can arbitrage the country discount by retiring their own equity: on a weighted basis c.75% of our UK long positions are buying back shares. The FTSE 250 remains the cheapest of any major developed index though this could change if the market takes a positive view of Labour's attempts to forge closer ties with Europe. Furthermore we think whoever leads Labour into the next election will be forced to campaign on spending constraint and tax cuts. We remain excited by our UK long positions which contributed +9.6% to the fund in 2025.

³ Source: Financial Times: [‘There’s a real dislike, even loathing’: why voters hate Starmer and Reeves](#)

Exhibit 4: Current 12m forward P/E percentile rank in 18-year history



Source: Datastream, Goldman Sachs Global Investment Research

Performance & Positioning

Fourth Quarter

The long book contributed +1.1% for the quarter. **Nokia** (+1.1%) was a top performer during the period; the company benefited from its increased exposure to data centres and from Nvidia investing \$1bn into the business with the aim of collaborating with Nokia's AI RAN solutions. As we have previously discussed, we like the exposure Nokia gives us to AI spend whilst trading on a sensible multiple of 12x forward EV/EBIT.

Plus500 (+1.1%) which we cover in further detail below, **ArcelorMittal** (+1.1%), **Glencore** (+0.7%), **Conduit** (+0.6%), **Ryanair** (+0.4%) and **Ocado** (+0.4%) were other meaningful positive contributors for the long book. The largest detractors were **Ubisoft** (-3.1%) and **B&M** (-1.6%), both of which are covered below. **Frasers** cost -0.8% in the quarter after the market focussed on caution around sporting goods markets rather than the interim financials which showed good results: clean EBIT was up 12% YoY and full year guidance to April 2026 was reiterated. We have previously discussed how Frasers Group can be assessed as a holding company; it trades just above book value and grew book by over 20% in the first six months of its fiscal year. It was encouraging to see them announcing a new buyback in the quarter.

The short book cost the fund -2.5% during the quarter. Our biggest detractors were **EQT** (-0.5%), **Amer Sports** (-0.5%), **DHL** (-0.5%) and **FedEx** (-0.4%), while the top contributors were **Wolters Kluwer** (+0.5%), **Blue Owl Capital** (+0.4%), **Relx** (+0.4%) and **Thomson Reuters** (+0.3%).

Full Year 2025 – Long book

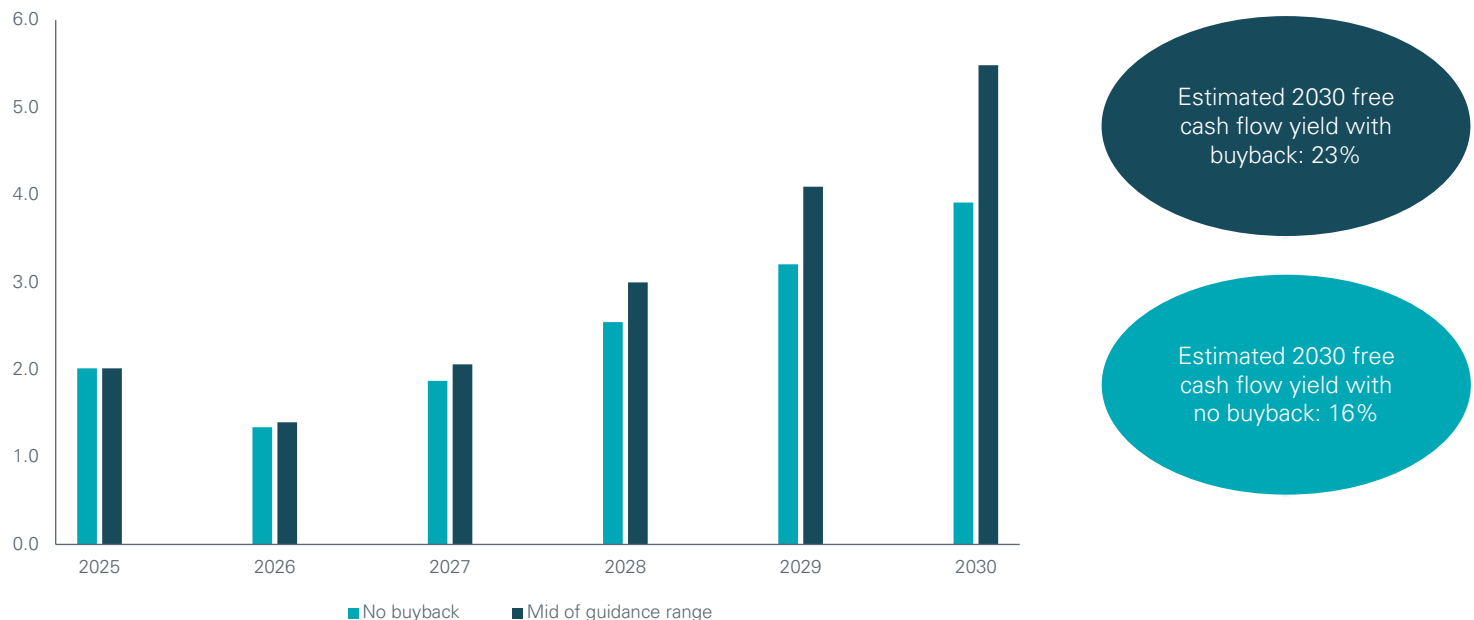
IWG was the fund's top contributor for the year adding +4.0%. Management simply delivered on their guidance by continuing to open new centres in a capital light fashion, whilst controlling costs and yield in their owned and leased estate. We flagged at the beginning of the year that this was all they needed to do given the level of scepticism implicit in the valuation. For 2026 we believe it will be a similar story: if management hit their guidance for the year, it is conceivable to see the shares up by at least 50%. The company will start to generate considerable cash flow from its new managed and franchised centres and this is nearly all being used to buy back shares. Management is increasingly confident of hitting their medium-term guidance of at least \$1bn of EBITDA which we take as 2028/29; this would put the company on an EV/EBIT multiple of 4x and a P/E of 5x. We estimate that IWG has more centres open or in its pipeline

than its next twenty competitors put together. Such market leadership is a recurrent characteristic across our long positions, where we feel we can take advantage of the market's inefficiencies at pricing the (often intangible) benefits of being a dominant player in an industry.

The fund's investments in pan-European banks collectively added +9.2% for the year. The unwinding and reinvestment of the structural hedge, good asset quality, cost control and an improvement in loan growth all helped to grow earnings and expand multiples from a low base. We believe these themes can continue in 2026 when we see the sector's cost base benefitting from AI adoption and management teams continuing to find ways to free up capital. We benefitted from making the German banks our biggest positions at the beginning of the year and buying SocGen, but in hindsight trimmed the holdings too early.

Zalando, which detracted -0.7% in 2025, is another example of a share trading materially below intrinsic value in our view. Against a market cap of c.€5bn and c.€1bn of net cash, simply extrapolating management's guidance would imply over €1bn of EBIT in 2028 and over €2bn in the early 2030s. One of the reasons why Zalando trades so cheaply is market nervousness about the impact of agentic AI; this is an area where we have done a lot of work in recent months and we actually view Zalando to be a net winner here. We also believe the management team understand the potential value creation in arbitraging the market's view – the following chart shows the impact on per-share metrics if Zalando were to use 80% of their cashflow to buy back equity:

Exhibit 5: Zalando estimated free cash flow per share (€): no buyback vs buyback at middle of guidance range



Source: Company Reports, Lancaster IM

Plus500 has seen its share count reduced by c.40% since 2016 which, combined with good business development, has seen its shares perform well. The company was once again one of our top contributors (+3.7%) in 2025. There were some key developments for Plus500 last year with new licences in the UAE, North and South America and its further development as an infrastructure provider for futures markets. In December it was announced that the Chicago Mercantile Exchange ("CME") and Flutter had chosen Plus500 to provide clearing and brokerage services for their new CME-FanDuel predictions market joint venture. We believe that the financial and strategic significance of this announcement has been underappreciated by the market. Plus500 trades on 2026 and 2027 EV/EBIT multiples of 7x and 5x respectively, which seems wrong for a business that offers high future growth opportunities, high returns on invested capital with good cash conversion and where the quality of the business mix is constantly improving.

Ubisoft was our largest detractor in the year, losing -5.8%, and we clearly misjudged the sizing of the position. While weaker performance from the Rainbow Six Siege update was compensated by more partnership agreements, the market puts these deals on a lower multiple. Crucially though the company are still set to hit their initial guidance for FY March 2026, and we saw some evidence of better execution during the period with higher game critic scores on new releases than the previous year. Finally the company closed the

Tencent deal in November which gives them a clean balance sheet. Ubisoft now trades on an EV/sales multiple of c.50% of sales, close to a record low, and considerably below its ten year average of around 350%. We don't believe the market appreciates the level of involvement that Tencent is committing in supporting better franchise performance at Ubisoft. We should start to see evidence of this in FY 2027 which coincides with some larger game releases. If Ubisoft can deliver even partially on the ambitions they and Tencent hold for their largest franchises then we see scope for considerable upside for the shares from the present valuation.

Our second largest detractor for 2025 was **B&M** (-2.4%), the European discount retailer. The company had a tough year as it failed to deliver positive like-for-likes and then had an accounting restatement in the fourth quarter. A new CEO, Tjeerd Jegen, whom we like, joined in June 2025 and is in our view addressing the right issues. There appear to be basic retailing practices that the company can improve such as availability, range and pricing which should help operating metrics. It is also notable that Jegen has spent nearly £1m of his own money buying B&M shares. B&M ultimately is a high return cash generative business which should begin buying back shares in 2026. On a one year forward P/E of 7x it trades on its lowest multiple in its listed history, and even a flicker of improvement could drive a material rerating.

Exhibit 6: B&M 12m forward P/E has declined to 7x



Source: Bloomberg, Lancaster IM

AO World (+0.43%) delivered its eleventh consecutive upgrade in November. FY March 2027 forecasts have risen by over 20% over the last fourteen months and yet the shares have been broadly flat over that period, as they were through 2025. This is despite the business performing strongly and showing increasing evidence of building a consumer ecosystem. The growth of the membership model is critical to this, and, in true owner-managed fashion, AO keep reinvesting margin wins back into the customer offering. AO started off with a small buyback in 2025 and we expect that there will be more to come this year. We expect the next few quarters to be an inflection point in its reported revenue growth. It is a business which is consistently winning market share and should be comfortably delivering double digit revenue growth. It has a strong balance sheet, delivers high returns and will continue to return cash back to shareholders. The business trades on a March 2027 P/E of c.14x and a FCF yield of over 7%.

During November we took a position in **Lanxess**, the German specialty chemicals company. The European chemicals industry has suffered several very difficult years. After initial shock through Covid, weak demand persists today; together with Chinese "dumping" this has driven capacity utilisation to multi-decade lows. Meanwhile significant input cost inflation has further impacted margins since 2021. Lanxess's revenues for 2025 are expected to be nearly 30% below peak levels, and EBITDA nearly 50% lower. The share price has fallen considerably as a result, with the decline accelerating recently as the market has feared continued cyclical pressure will be

exacerbated by the company's balance sheet leverage at 4x EBITDA. Against this backdrop, however, we expect a more positive outlook from 2026 for the following reasons:

- i. Firstly, and crucially, Lanxess has potential for significant balance sheet self-help. In September 2025, the company announced it would exercise a put option to sell its share of the Envalior joint venture to the private equity co-owner, in full or part between April 2026 and April 2028, depending on various conditions including access to funding. In a total sale this stake could be worth c.50% of Lanxess's current market cap. Ironically, the shares have fallen even further since the announcement, despite the considerable enhancement to intrinsic value that this sale will achieve, and despite the company's stated access to liquidity should the sale be partial and/or delayed.
- ii. Secondly, the chemicals industry cycle is showing tentative signs of inflection. While capacity utilisation remains low and net flow in supply/demand is fluid, there are reasons to be more sanguine at this stage. Inventories are well below peak; market-implied gross margins have started to widen since 2023 – perhaps as a result of some capacity closure in recent years – and crucially, Chinese net imports are starting to decline with two quarters of net supply materially lower year-on-year:

Exhibit 7: Lanxess – market implied gross profit level*

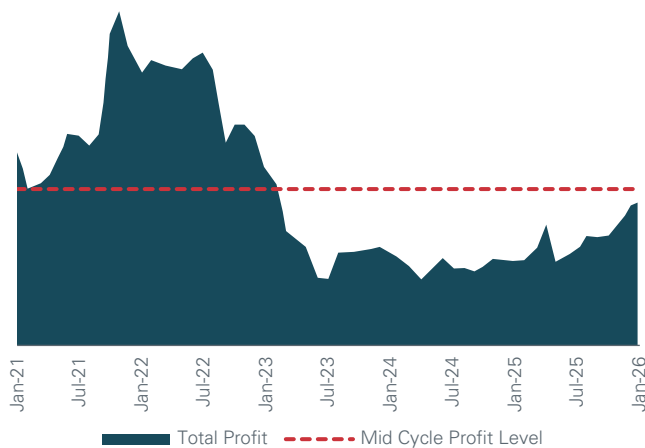
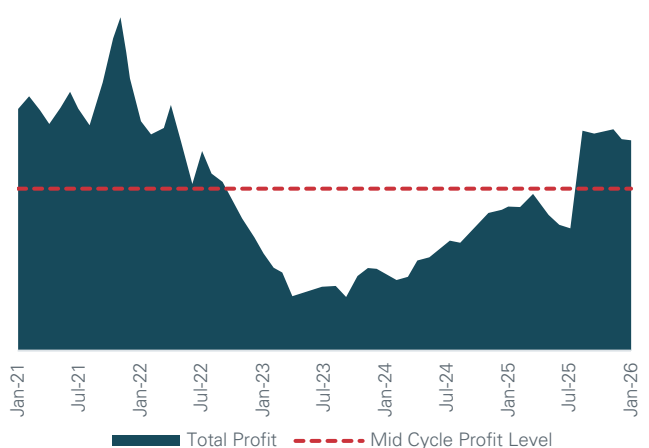


Exhibit 8: Envalior – market implied gross profit level*



Source: Jefferies Research. *Mark to market price minus input costs per unit

Exhibit 9: China net chemicals trade volumes ex Agriculture and Cracker Products



Source: Jefferies Research, General Administration of Customs People's Republic of China

- iii. Thirdly, should the chemicals cycle improve, Lanxess's industry position looks very favourable. Management has done an admirable job over recent years of repositioning the company from more commoditised and cyclical exposures towards more oligopolistic niches – such that the company's profit margins should range higher in the next cycle than previously which will further support cash flow momentum. As an example, Lanxess is well placed to benefit from German fiscal stimulus which management expects to impact order books across chemicals and other industries from late 2026.
- iv. Finally, we see attractive risk/reward embedded in Lanxess's valuation. The company is expected to make c.€500m of EBITDA in 2025, compared to management's view that the business can achieve c.€850m at mid-cycle and over €1bn at peak. In such an up-cycle, current leverage ratios can fall by half, opening the business to strategic growth options and allowing the shares to re-rate. Meanwhile we expect leverage to reduce even with EBITDA remaining depressed, with improved free cash flow generation from 2026 onwards as exceptional costs fall away. Valued at 0.5x 2026 EV/Sales and 6x 2026 EBITDA, we see little optimism priced in for self-help, cyclical improvements or company-specific progress. Should any of these levers play out, there is significant potential for multiple expansion and growth in profits and cashflow.

During the quarter we saw **Jet2** acquire several slot positions at Gatwick. This is the final piece of the jigsaw to give them close to full coverage of the UK market. It is just the kind of high quality move we like to see from our companies where, despite providing a two-year headwind to earnings as it scales up, the expansion should be strongly NPV positive. Jet2 inaugurated a buyback this year and has already retired c.8% of share capital; we estimate the company could repurchase at least 50% of the current market cap over the next 5 years whilst remaining well within their internal leverage limits. Jet2 trades on 3.9x March 2027 EV/EBIT.

Full Year 2025 – Short book

Our short positions had another year of good alpha generation, delivering c.10%, albeit with a negative absolute contribution of -6.3% given the backdrop of a strong market. The short book has been the unsung hero for our strategy delivering very strong alpha and allowing us to have more long exposure without increasing market participation. Since inception we have delivered short book alpha of over 5% per annum and in the last five years we have averaged c.11% alpha per annum.

The worst performers for 2025 were our shorts in **Nvidia** (-2.1%) and **Brookfield**, (-1.5%). We believe it is too general to say there is a bubble in AI as a whole, but we do see some areas as being considerably overvalued. Nvidia is making c.75% gross margins – extremely high by semiconductor standards – and we don't believe the barriers to entry are as high as the market is implying. For example, we see the Google/Broadcom alternative as very credible and considerably cheaper than the Nvidia offering. Meanwhile we would be surprised if the Chinese have not meaningfully narrowed the gap to Nvidia in the next few years.

Our brand and retail shorts were excellent performers for us with positive contributions from **Nike**, **Deckers**, **On Holdings**, **Lululemon**, **Asics** and **Adidas** which collectively generated over 5.2% of positive returns. Most of these positions have now been closed and the capital recycled into new ideas.

Another fruitful area of our short book has been among companies that we believe are at risk of disruption by generative AI. Examples of these are **Wolters Kluwer**, **RELX**, **Thomson Reuters**, **Spotify** and **Duolingo**.

Our private credit and equity short exposure lost a small amount in absolute terms but generated good alpha.

Long book vs short book performance

Over the past few years our long book has generated good absolute returns but poor alpha. This has been down to a few reasons, but the following we see as the most impactful:

- Our decision not to own the US mega-cap names
- Our larger holdings underperforming the average of our book in three of the last five years. 2025 marked a return to a return profile more consistent with our longer-run history
- Our value bias has made it hard to keep up with a rampant momentum-driven bull market
- A performance hit from our forced deleverage in 2023

We obviously give this underperformance deep consideration and whilst we are constantly trying to improve our process, we believe these issues are mainly cyclical rather than structural, and that any reversal in present market leadership could see our long book deliver material outperformance. Our shorts have maintained their strength in terms of alpha generation, though we constantly challenge ourselves to find good new ideas.

Portfolio positioning and team update

As at the time of writing, the fund is c.22% net long on a 2-year beta adjusted basis. Our book has a value bias as seen in the table below. The long book continues to have an overweight to Pan Europe and an underweight to the US. As ever many of our longs are highly idiosyncratic particularly where we are overweight first generation owner-managed businesses. Our short book has seen healthy position turnover over the last twelve months. We now find ourselves considerably less short sporting goods companies and have increased our exposure to businesses that we believe will be disrupted by AI.

Exhibit 10: Median valuation metrics of the Fund's long and short books and the MSCI World Index (market cap weighted), as at 12th January 2026

	Next 12 months P/E	Next 12 months EV/EBIT	Next 12 months EV/Sales
Fund long book	12.4	9.8	0.9
Fund short book	23.4	21.7	8.5
MSCI World	20.3	16.5	3.2

Source: Lancaster IM, Bloomberg

The fund continues to have a large overweight to UK listed companies, some of which have significant domestic exposure. In order to try and increase our stock specific risk we maintain a long euro position against sterling.

The fund currently holds three Russian positions that are valued in the book at zero as they are either not transferrable due to sanctions or trade off-exchange at a fraction of their Russian stock market price. These valuations will be reassessed as appropriate. We clearly have no edge on the possible geopolitical outcomes but the only guidance we can give is that if these positions were valued at their current Russian market value, and if the fund was able to access the accrued dividends, then it would materially add to NAV (>15%).

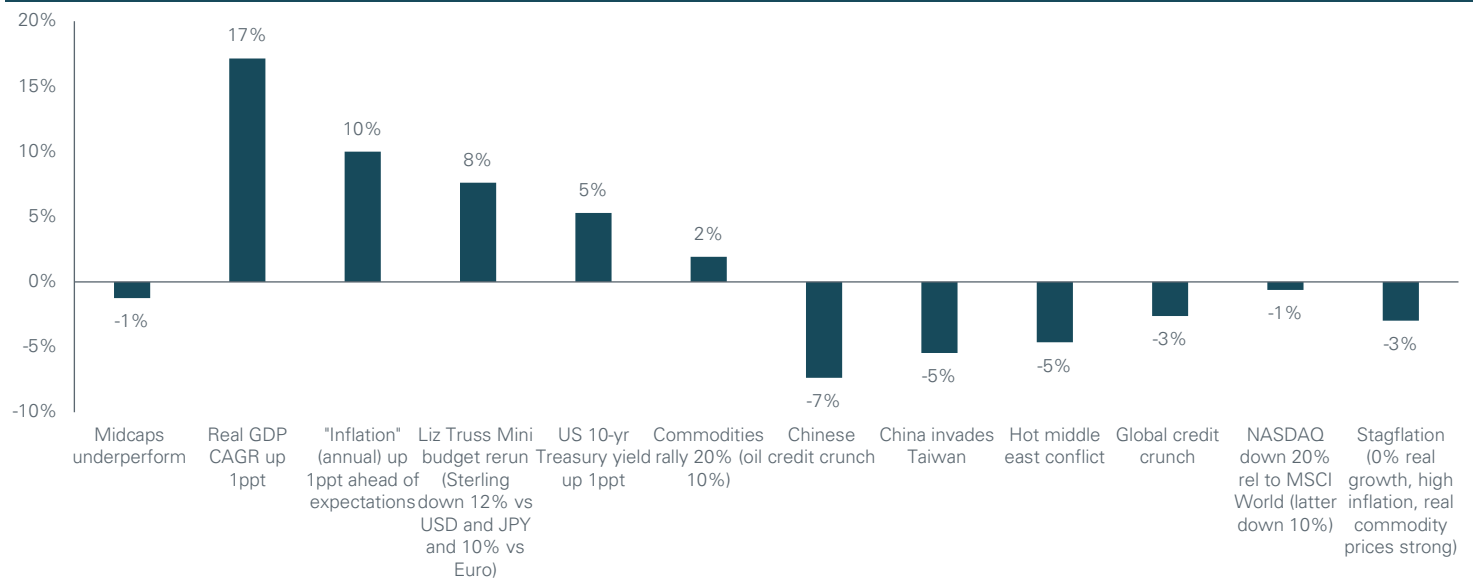
Finally, Jamie Grimston has moved from being an active partner to being a partner with an advisory role. We would formally like to thank Jamie for his considerable input into the team over the years; it has been a great joy to work with him.

Conclusion

It was a good year for the fund which generated a respectable return in line with the MSCI World Total Return Index despite having a very low correlation. There are numerous holdings in our long book where we feel robust operating momentum is not yet fully recognised by the market – and that as long as these companies sustain their current trajectory then their share prices can meaningfully outperform the market. Examples here would be Frasers, Zalando, IWG and Plus500. There is a smaller cohort of our long book where, in our view, missteps in execution have been disproportionately penalised by a market focussed on short-term earnings momentum. Though this latter group can be volatile, even modest positive newsflow could catalyse a material re-rating and drive the shares up considerably. Examples here would be Ocado, Ubisoft, Lanxess and B&M.

Geopolitics are as unpredictable as ever and market multiples are high relative to history but we continue to focus on where our edge is. We feel we have a portfolio that can continue to generate value independently of the market. Thank you as ever for your support and we look forward to updating you on our conference call.

Exhibit 11: WS Lancaster Absolute Return (LAR) | Estimated factor return as at 12th January 2026



Source: Lancaster IM unaudited internal data & Bloomberg, as at 12-Jan-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

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:
 - 10.6% 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	0.6	-1.4	12.7	4.7	27.4	12.7	434.8	10.6
MSCI World Net TR GBP	-0.8	3.2	12.7	60.0	80.0	12.7	616.9	12.6
Relative	1.4	-4.5	0.0	-55.3	-52.6	0.0	-182.1	-2.0

Yearly Trailing Performance (net)

1-year to	31-Dec-25	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21
Fund	12.7	0.8	-7.8	10.7	9.9
MSCI World Net TR GBP	12.7	21.0	17.3	-8.4	22.9
Relative	0.0	-20.2	-25.2	19.1	-12.9

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	0.9	-2.9	0.6	12.7
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 details¹

£ I Class	534.76
£ R Class	496.38
\$ I Class	3.00
€ I Class	2.82
Fund Size	£337 million
Strategy AUM	£681 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

Portfolio Manager

James Hanbury

Enquiries

T: +44 (0)20 7842 1030

E: reporting@LancasterIM.co.uk

W: LancasterIM.co.uk

Lancaster Investment Management, Yalding House, 152-156 Great Portland St., London, W1W 5QA

Top 10 Long Equities

	% NAV
IWG	9.4%
Plus500	9.4%
Frasers Group	9.2%
Ubisoft Entertainment	7.1%
Conduit Holdings	4.6%
B&M European Value Retail	4.6%
Ocado ²	4.5%
Zalando	4.5%
AO World	4.3%
Brembo	4.2%

² Includes 0.4% exposure to Ocado Group 6.25% 08/06/29 Convertible Bond

Portfolio Characteristics

Long position count	53
Short position count	33
Total gross exposure	248%
Total net exposure	70%
Gross long exposure	159%
Gross short exposure	-89%
Beta adj. net exposure (2-year)	23%

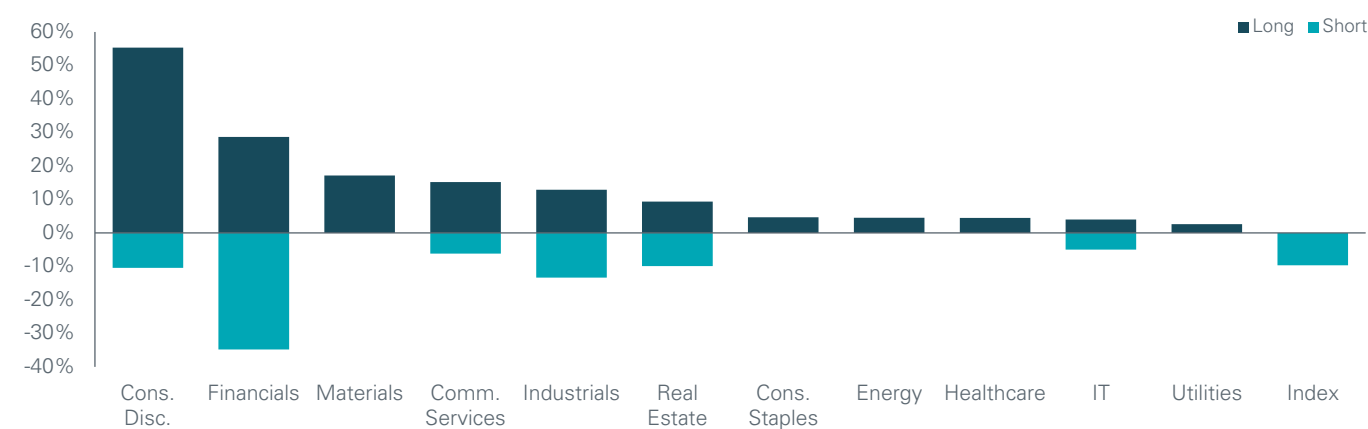
Important Information

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/KID, available upon request from Lancaster IM. The performance calculation shown is based on the £ 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.

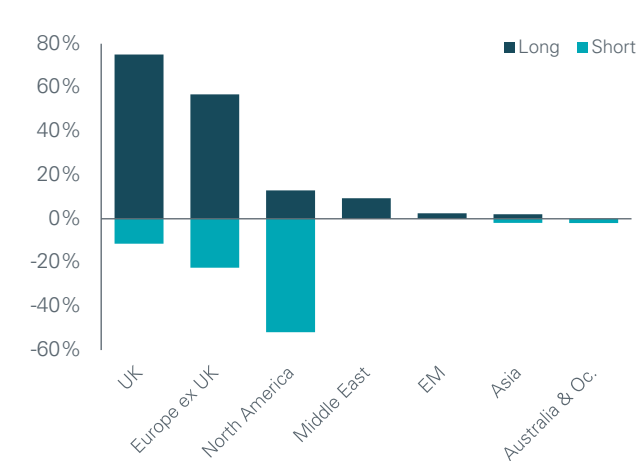
Source: All sources, unless otherwise stated, are Lancaster IM internal unaudited data and refer to the £ I share class. All data shown as at 31 December 2025.

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

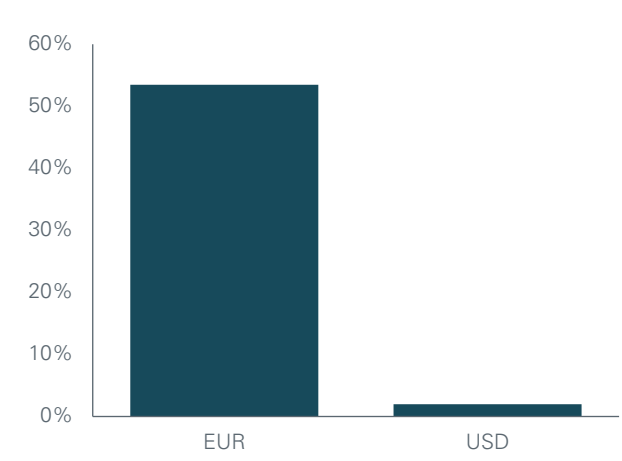
Equity exposure by sector



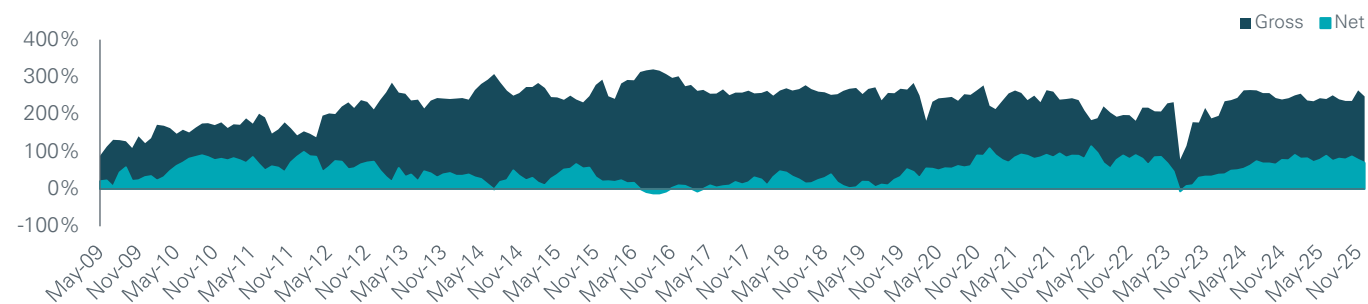
Equity exposure by geography



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 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 31 December 2025. ¹ Waystone 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 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	L: (£, €, \$ Acc.), R ² : (£ Acc.)			Anti-dilution fee	May apply up to 0.75% to NAV on subs/reds if large deals (typically >5%) occur
Share class hedging	Non-base currency share classes are hedged			Minimum investment	£1,000,000
Trade date	Daily			Dividends	Accumulation shares only
Dealing	Forward to 2pm GMT			Authorised Corporate Director (ACD)	Waystone
Valuation	10.30pm GMT			Auditor	Ernst and Young LLP
Front end fee	Up to 4%			Prime Broker	Morgan Stanley
Annual management fee	L: 0.75%, R ² : 1.25%			Custodian	BNY
Ongoing charge	L: 1.09%, R ² : 1.59%			Price reporting	Prices published daily on lancasterim.co.uk , Bloomberg and by other third party data providers.
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.			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

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research. This document and the information contained in it relates to the WS Lancaster Absolute Return Fund (the “Fund”) and is being communicated by Lancaster Investment Management LLP (“LIM”). LIM is authorised and regulated by the Financial Conduct Authority (the “FCA”) of the United Kingdom and is registered as an investment adviser with the United States Securities and Exchange Commission. LIM and its affiliates together will be referred to as “Lancaster” in this document.

LIM has approved this communication which is for private circulation only, and in the UK is directed to persons who are professional clients or eligible counterparties for the purposes of the Conduct of Business Sourcebook of the Financial Conduct Authority of the United Kingdom (the “FCA”) and it is not intended for and must not be distributed to retail clients. It does not constitute an offer to sell or an invitation to buy or invest in any of the securities or funds mentioned herein and it does not constitute any personal recommendation or investment taxation or any other advice. The tax treatment of an investment in any of the securities or funds mentioned herein depends on the individual circumstances of each investor and may be subject to change in the future. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. The capital you invest is at risk and you may lose some or all the money you invest. Past performance does not guarantee future results and the value of all investments and the income derived from them can decrease as well as increase.

Investments that have an exposure to currencies other than the base currency of the Fund may be subject to exchange rate fluctuations. This communication and the information contained therein is a financial promotion for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom and the rules of the FCA. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, anyone who comes into possession of this communication should inform themselves of and observe these restrictions. Lancaster is not liable for a breach of such restrictions or for any losses relating to the accuracy, completeness or use of information in this communication, including any consequential loss.

Please always refer where appropriate to the relevant Fund prospectus and relevant key investor information document(s) before you invest. The Fund’s prospectus and key investor information documents are available in English and may be obtained from reporting@LancasterIM.co.uk.