Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2020

Issued on 4 December 2020

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition and registered in Ireland. The Fund size was GBP 319m as at 30th November. Total assets under management by Ennismore Fund Management were GBP 589m. Our funds are hard closed with the number of shares in issue capped. If you would like to invest when capacity is available through redemptions please contact Jo-Anne Bailey on +44 (0) 20 7368 4231 or email subs@ennismorefunds.com.

The Fund is managed as an absolute return fund with the objective of generating positive returns irrespective of market conditions rather than performing relative to any benchmark index.

Performance as at 30 November 2020

	Share Class[2]				
	GBP A £	GBP A €	GBP B	EUR A	EUR B
NAV per Share[1]	**129.45**	**144.48**	**21.87**	**20.61**	**20.70**
Period	% Change				
November 20	**9.6**	**10.2**	**9.6**	**10.2**	**10.2**
October 20	-3.1	-2.5	-3.1	-2.5	-2.5
September 20	0.8	-0.8	0.8	-0.8	-0.8
August 20	-2.5	-1.5	-2.5	-1.6	-1.5
July 20	-3.8	-3.0	-3.8	-3.0	-3.0
June 20	4.0	2.9	4.0	2.9	2.9
May 20	-1.6	-5.0	-1.6	-5.0	-5.0
April 20	-0.8	1.1	-0.8	1.1	1.1
March 20	-5.7	-8.3	-5.7	-8.3	-8.3
February 20	-2.8	-5.0	-2.8	-5.0	-5.0
January 20	-2.4	-1.6	-2.4	-1.6	-1.6
2020 to date	**-8.9**	**-13.8**	**-8.9**	**-13.8**	**-13.8**
Annualised return[3]	**12.5**	**11.2**	**8.3**	**7.6**	**7.7**
Since launch[3]	**1218.9**	**925.9**	**118.7**	**106.1**	**107.0**
	Discrete 12 Month Rolling Performance - % Change				
To 30 November 20	-7.8	-12.3	-7.8	-12.3	-12.4
To 30 November 19	5.9	10.2	5.9	9.2	9.4
To 30 November 18	6.5	5.7	6.5	5.9	5.9
To 30 November 17	8.9	5.0	8.9	5.7	5.7
To 30 November 16	16.6	-3.7	16.5	-0.2	-0.2

[1]Source: Administrator, Net Asset Value. [2]Source: Administrator, Net Asset Value, net income reinvested. [3]Since inception of GBP A share class on 27/01/99 to date , GBP B share class on 19/01/11 to date, EUR A and EUR B share classes on 31/01/11 to date. Note: All performance figures net of fees. **Past performance is not a guide to future returns.**

Comments below on performance refer to GBP NAV per share unless otherwise stated, exclude cash returns and are prior to expenses.

The Fund's NAV increased by 9.6% in November. Our long book contributed 15.3% while the Fund's short exposure cost 5.4%. Our long position in CPL Resources contributed 1.7% as the company received a takeover offer. Our long in Sto added 0.9% as the company increased their profit guidance for 2020 significantly, while our long position in Vossloh contributed 0.8% as its share price profited from confirming its full year guidance late in October. Finally, our longs in Costain and Hammerson and our short position in a UK online retailer contributed 1.4%, 0.9% and detracted 1.3% respectively as their share prices seemed to react on the back of recent positive newsflow related to potential Covid-19 vaccines efficacies.

Top 5 Contributors and Detractors for November 2020

Contributors	MTD (bp)
CPL Resources	169
Costain	137
Sto	88
Hammerson	88
Vossloh	81

Detractors	MTD (bp)
UK online retailer	-126
IQE	-46
UK software company	-41
Norwegian energy machinery supplier	-38
Swiss electronics manufacturer	-38

Individual stock attributions relate to GBP A shares and are gross of fees and expenses (including financing/stock borrowing costs).

IG Group Plc – UK specialist financial company (0.9% NAV)

Founded in 1974, IG Group offers trading in various financial derivatives to retail traders globally. From the side effect of Covid-19 of more people working from home there has been a recent step-up in profitability and we see this continuing for the longer-term, which we don't believe is being priced in by the stock market. This highly profitable GBP 3bn market capitalised company has grown to almost 240,000 customers and generated net trading revenue of GBP 649m and net income, up over 50%, of GBP 240m for the financial year to May 2020.

IG provides trading for contract for difference (CFDs), spread betting and other typically leveraged financial instruments. They are the largest globally in CFDs and are geographically diverse with the UK being the largest area at 40% of net trading revenue and Australia (14%) and the European Union (14%) being the other regions accounting for over 10% of the total. In terms of asset class their largest is indices at 47% of revenue, followed by foreign exchange (18%), shares (14%) and commodities (14%).

Historically IG Group has been growing fairly steadily with around five percent profit growth per year for the ten years to May 2019. They have tended to be particularly strong in the more sophisticated premium type of traders especially in the UK and EU and are particularly mindful of strictly following all regulations; this has probably held back growth, but we believe gives an overall higher quality client base. They have been looking to grow faster through expansion in certain geographical and product areas – the largest currently being Japan and Emerging Markets. This was already showing success, with their key focus areas (which the company refers to as "Significant Opportunities") growing at over 70% and leading to net revenue growth of 9% in the first three quarters of the last financial year. Since Covid-19 spread globally however there has been gear shift in growth with a large increase in their client numbers, up by over 50% in the six months to September 2020, alongside increasing revenue per client, leading to revenue growth of circa 90%. There has typically been a client churn rate of around 30% each year, however, there is longer term stickiness with more than 50% of revenue generated from clients who have been with IG for over three years. IG prides itself on its high quality platform with client friendly trading tools, all needing continual investment. They typically expect around GBP 10k lifetime value per client and this compares favourably to the implied marketing cost per new client of around GBP 1.6k. IG has commented that the recent significant cohort of new clients is behaving similarly to previous cohorts which is comforting with respect to the sustainability of current profitability.

Various regulatory changes have been a headwind in the last few years. These include restrictions put on levels of leverage permitted along with other restrictions for retail customers in the UK and EU and the banning of trading in cryptocurrencies and binary trades in some regions. The regulatory risk is now perhaps much lessened, and we believe these changes have increased the longevity of a new retail client and made it harder for new entrants to enter the industry via high risk offers to potential clients. The regulatory capital requirement is also another barrier to entry – IG had a capital requirement of over GBP 400m as of May 2020.

One of the strengths of IG is that, unlike some peers, their profitability has no direct connection to how well their clients do in their trading as IG hedges all positions either naturally via other clients taking the opposite side of the trade, which is ideal, or through hedging the position themselves via the market. Obviously the larger a company's trading volume the more natural hedging occurs and therefore scale facilitates this business model, making this another potential barrier to entry. This approach has enabled them to have an enviable track record of no loss-making days in the last five financial years and amplifies their resilient profit model.

The CEO was appointed two years ago and the CFO joined in June this year, so both are fairly new in their roles. So far, the focus by the new CEO has been on sensibly trying to increase the structural growth in the business, which does seem to be starting to come to fruition.

Due to their high pre-tax profit margins and return on equity of over 20% they generate good levels of excess capital which is potentially available for dividends. Their total capital available above their regulatory minimum sat at GBP 275m as of May 2020. The stock is currently yielding over five percent, but we think there could be a possibility for this to be stepped up going forward or for special dividends to be paid as excess capital builds further.

Overall, we view IG as a top quality, highly resilient, cash machine which has been given a big growth spurt and we expect this enhanced profit level to roughly hold over the next couple of years while significant capital is generated. We prudently value the stock on 16 times operating profit after tax to May 2022, adjusted for excess capital, leading to upside of over 35% to that date.

Top Five Long Holdings as at 30 November 2020

Company	Country	Sector	% of NAV
Sto	Germany	Materials	6.0
Cpl Resources	Ireland	Industrials	5.2
Vossloh	Germany	Industrials	4.2
Cegedim	France	Health Care	3.2
Costain	United Kingdom	Industrials	3.0
			21.6

Exposures as at 30 November 2020

Longs%	Shorts%	Gross Exposure%	Net Exposure%
87.4(79.5)	37.7(40.3)	125.1(119.9)	49.7(39.2)

Figures in brackets refer to previous month end. All calculations are subject to the impact of rounding

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 30 November 2020

Country	Gross%	Net%
Australia	1.4	-1.4
Austria	4.1	2.3
Belgium	1.7	1.7
France	9.8	7.9
Germany	28.3	16.8
Ireland	6.2	6.2
Italy	5.5	5.2
Japan	1.2	0.1
Netherlands	1.4	1.4
Norway	3.7	-0.4
Other	3.7	-1.1
Sweden	2.5	1.4
Switzerland	5.9	-5.9
United Kingdom	41.6	16.9
United States	8.1	-1.3

Market Cap	Gross%	Net%
>£2bn	26.4	-4.3
£700m - £2bn	32.1	3.1
£200m - £700m	40.1	27.1
<£200m	26.5	23.9

Positions	Nov	Oct
Long	84	83
Short	63	70
Longs Opened	5	2
Longs Closed	4	4
Shorts Opened	3	2
Shorts Closed	10	3

Sector	Gross%	Net%
Communication Services	5.3	2.9
Consumer Discretionary	23.2	1.5
Consumer Staples	4.4	3.9
Energy	0.0	0.0
Financials	10.1	8.6
Health Care	5.7	3.0
Industrials	33.7	20.6
Information Technology	28.3	-2.5
Materials	8.6	7.9
Real Estate	5.8	3.8
Utilities	0.0	0.0
Other	0.0	0.0

Geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business.

For further information please contact:	Jo-Anne Bailey, Ennismore Fund Management	+44 (0) 20 7368 4231	subs@ennismorefunds.com
For dealing please contact:	Northern Trust International Fund Administration Services (Ireland) Ltd	+353 (0) 1 434 5103	Ennismore_TA_Queries@ntrs.com

Risk Warning

This document is issued by Ennismore Fund Management Limited ("Ennismore", "the Company") which is authorised and regulated by the Financial Conduct Authority.

This document is confidential and is intended solely for the information of the recipient and may not be passed on or disclosed to any other person. This information should not be reproduced or disseminated in any form without the prior written permission of Ennismore Fund Management Limited.

This document is for information purposes only and is not an offer to sell or an invitation to buy shares in Ennismore European Smaller Companies Fund (the "Fund"). In particular, it does not constitute an offer or solicitation in any jurisdiction where it is unlawful or where the recipient may not lawfully receive any such offer or solicitation. It is the responsibility of any person in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of relevant jurisdictions.

Content in this document is provided for information only and is not intended for trading purposes. Any information and opinion in this document is subject to change by the Company without prior written notice. Content in this document is not an invitation or inducement to engage in any investment activity and is not appropriate for the purposes of making a decision to carry out a transaction or trade in any of the companies mentioned in this document. Nor does it provide any form of advice amounting to investment advice or make any recommendations regarding particular financial instruments or investment products. Use of this document is no substitute for obtaining proper investment advice from an authorised investment professional.

We hereby disclose that as at the date of first issue of the report to which this is an Appendix, we held positions in the companies discussed in that report and we are thus subject to conflicts of interest in respect of these companies. The analysis presented on these companies has not been prepared in accordance with legal requirements regarding the independence of investment research and as such is considered non-independent research, as defined by COBS 12.3.2R of the FCA Handbook and as a marketing communication.

Although the Company considers the content of this document to be accurate at the time it was written, we do not guarantee the accuracy of the information presented or of our opinions. The factual information contained in this document may become inaccurate as a result of the passage of time and should therefore be read for historical information only. Future expectations are the opinion of the Company at the time of writing and are subject to change without notice, and the Company does not undertake to provide information concerning changes to its opinions and expectations in any way. All forecasts are subject to risks and uncertainties that may cause actual results to differ materially from those which were expected.

This document is not intended to provide a complete description of the investment, research and due diligence process utilized by Ennismore. Ennismore may modify its investment process and method for evaluating portfolio investments in any manner that it deems appropriate without notice to investors. The information contained herein may be approximate and is used to show the overall investment management process that Ennismore engages in.

The examples of specific investments included herein are not representative of all of the companies purchased, sold or recommended for the Fund. The Fund's portfolio contains a much larger number of positions than the examples set forth herein and, accordingly, the examples are not intended to indicate the overall composition of the Fund's portfolio. It should not be assumed that investments in the companies identified will be profitable, that recommendations made in the future will be profitable or will equal the investment performance of those discussed herein, or are representative of investments that will be made in the future. There is also no guarantee that any of the positions are currently or will remain in the Fund. The information included in this document should not be considered a recommendation to purchase or sell any particular security or other financial instrument. All statements and expressions are the sole opinion of Ennismore and are subject to change without notice.

The list of winners and losers presented herein has been calculated by including those positions that contributed most significantly, either positively or negatively, to the performance of the Fund's portfolio during the period. This is not meant to be indicative of the performance of all positions contained in the portfolio. Past performance is not indicative of future results.

Additional Information for Recipients in Switzerland

The Fund has not been approved for distribution in or from Switzerland by the Swiss Financial Market Supervisory Authority. As a result, the Fund's shares may only be offered or distributed to qualified investors within the meaning of Swiss law. The Representative of the Fund in Switzerland is Bastions Partners Office SA with registered office at Route de Chêne 61A, 1208 Geneva, Switzerland. The Paying Agent in Switzerland is Banque Heritage, with registered office at Route de Chêne 61, 1208 Geneva, Switzerland. The place of performance and jurisdiction for Shares of the Fund distributed in or from Switzerland are at the registered office of the Representative.

For further information please contact:	Jo-Anne Bailey, Ennismore Fund Management	+44 (0) 20 7368 4231	subs@ennismorefunds.com
For dealing please contact:	Northern Trust International Fund Administration Services (Ireland) Ltd	+353 (0) 1 434 5103	Ennismore_TA_Queries@ntrs.com