Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2021

Issued on 6th October 2021

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 340m as at 30th September. Total assets under management by Ennismore Fund Management were GBP 586m. This fund is hard closed to new investment with the number of shares in issue capped with capacity available through redemptions. If you would like to invest when capacity is available through redemptions please contact Adam Sullivan on +44 (0) 20 7368 4224 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 September 2021

	Share Class[2]				
	GBP A £	GBP A €	GBP B	EUR A	EUR B
NAV per Share[1]	**154.31**	**179.52**	**26.08**	**25.68**	**25.80**
Period	**% Change**				
September 21	**-0.1**	**-0.3**	**-0.1**	**-0.3**	**-0.2**
August 21	0.7	0.2	0.7	0.3	0.3
July 21	2.8	3.5	2.8	3.3	3.3
June 21	1.0	1.1	1.0	1.1	1.1
May 21	3.4	4.6	3.4	4.8	4.8
April 21	4.7	2.6	4.7	2.8	2.7
March 21	4.5	6.5	4.5	6.5	6.5
February 21	1.7	3.7	1.8	3.7	3.7
January 21	-5.2	-4.1	-5.2	-4.0	-4.1
2021 to date	**14.1**	**18.8**	**14.1**	**19.2**	**19.2**
Annualised return[3]	**12.9**	**11.9**	**9.4**	**9.2**	**9.3**
Since launch[3]	**1472.2**	**1174.8**	**160.8**	**156.8**	**158.0**
	Discrete 12 Month Rolling Performance - % Change				
To 30 September 21	26.6	33.6	26.6	34.0	34.0
To 30 September 20	-14.2	-16.3	-14.2	-16.9	-16.9
To 30 September 19	8.5	9.2	8.5	8.9	9.1
To 30 September 18	4.3	3.2	4.3	3.3	3.4
To 30 September 17	8.9	6.9	8.9	7.4	7.4

[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 decreased by 0.1% in September. Our long book cost 2.0% while the Fund's short exposure contributed 2.0%.

Top 5 Contributors and Detractors for September 2021

Contributors	MTD (bp)
Rush Street Interactive Inc	30
STO SE & Co KGaA	26
Hugo Boss Ag	25
US media company	24
468 SPAC I SE	22

Detractors	MTD (bp)
UP Global Sourcing Holdings Plc	-47
Exasol Ag	-34
HeiQ Plc	-34
IG Group Holdings Plc	-26
UK software company	-25

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

EVS – Belgian broadcast equipment manufacturer (1.9% NAV)

EVS Broadcast is a stock we last wrote about in the October 2018 newsletter. Since then the total return for the stock, including dividends, has been a paltry five percent and the market capitalisation sits at EUR 277m. In this time the company has made a bolt-on acquisition which gives them earlier access to investment projects in the broadcasting industry, and they have continued to add to their cash pile reinforcing our conviction in the stock. Operationally Covid-19 has hindered the business's growth path with profit expectations over the next couple of years looking very similar to our expectations for 2018 and 2019 when we last wrote. However, we believe that structurally the business is more efficient now and better managed which will be seen in the coming years, they also seem to be seeing signs of their customers looking to invest more to upgrade their technology.

The company has three market pillars, Live Audience Business (LAB) selling specialist production hardware to own content producers, Live Service Provider (LSP) which services LAB customers, and Big Events Rentals (BER) entailing rental of hardware to host nations of events such as the Olympics. In the first half of this year they accounted for 50%, 43% and 7% of turnover respectively. LAB is still expected to have stronger future growth as customers look to upgrade their owned hardware,production capabilities. Geographically, excluding BER, in the first half of 2021 Europe, Middle East and Africa generated the majority of sales (51%), with Americas (28%) and Asia-Pacific (16%) accounting for the rest. All regions showed growth, with organic sales growing by circa 40% overall. Investment was unsurprisingly reduced and big projects were put on hold last year, particularly in the latter six months, leading to a strong order book going into this year. EVS is also starting to gain from a structural tailwind as their customers are demanding products to enable more remote production e.g. from home, something EVS is well positioned to satisfy.

EVS acquired Axon in May 2020 (now rebranded EVS Media Infrastructure) for EUR 12m, which last year generated around EUR 15m of sales as a business at around breakeven levels. However, post cost savings and cross selling benefits, now with a broader product offering to the group's customers, and a strengthening presence in some regions, we think that this will be a value accretive acquisition. This biggest acquisition to date has also allowed them to get better visibility on new projects as they tend to be earlier in the lifeline of a projects spend, selling infrastructure such as specialist servers.

The business has pretty good visibility with an orderbook for 2021 of EUR 37m as of the end of June, more than a quarter of the year's expected revenue. Overall, in 2021 we expect sales to be around EUR 120m with margins over 20%. Next year should be a strong year as we expect the company to benefit from both the football World Cup and the Winter Olympics, leading us to expect operating profits of over EUR 31m.

EVS is fundamentally still a very solid business which even in the turmoil of last year generated EUR 13m of free cash flow and in a normal (non-covid) year has pre-tax returns on capital of around 25%. This has led to a net cash balance of over EUR 40m as of the half year and a sustainable dividend of at least EUR 1 per share versus the current EUR 19.3 share price. Putting a multiple of 15 times on the average of 2021 and 2022 operating profits after tax leads to upside of around 45% to the end of next year.

Top Five Long Holdings as at 30 September 2021

Company	Country	Sector	% of NAV
STO SE & Co KGaA	Germany	Materials	8.7
Vossloh Ag	Germany	Industrials	3.6
Costain Group Plc	United Kingdom	Industrials	2.8
Studio Retail Group Plc	United Kingdom	Consumer Discretionary	2.8
Cegedim SA	France	Health Care	2.7
			20.6

Exposures as at 30 September 2021

Longs%	Shorts%	Gross Exposure%	Net Exposure%
73.9(75.9)	35.8(33.3)	109.8(109.2)	38.1(42.7)

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 September 2021

Country	Gross%	Net%
Austria	4.1	1.9
Belgium	2.1	1.7
Finland	0.9	-0.2
France	4.8	2.5
Germany	25.9	18.7
Italy	2.8	2.1
Luxembourg	1.2	1.2
Netherlands	3.4	2.7
Norway	5.7	-2.0
Other	0.9	-0.9
Spain	0.6	0.6
Sweden	7.4	-0.0
Switzerland	3.1	-1.3
United Kingdom	40.8	12.6
United States	6.0	-1.6

Market Cap	Gross%	Net%
>£2bn	20.9	-2.8
£700m - £2bn	23.9	4.8
£200m - £700m	42.0	13.8
<£200m	22.9	22.2

Positions	Sep	Aug
Long	68	66
Short	71	63
Longs Opened	3	1
Longs Closed	1	1
Shorts Opened	8	3
Shorts Closed	0	6

Sector	Gross%	Net%
Communication Services	3.0	-0.6
Consumer Discretionary	28.4	1.9
Consumer Staples	5.0	0.6
Energy	0.0	0.0
Financials	8.1	7.0
Health Care	4.2	3.2
Industrials	24.8	12.5
Information Technology	21.1	-0.1
Materials	10.8	9.7
Real Estate	4.1	4.1
Utilities	0.2	-0.2
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.

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