Ennismore European Smaller Companies Fund

Investor Newsletter for the month of May 2022

Issued on 9 June 2022

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 337m as at 31st May. Total assets under management by Ennismore Fund Management were GBP 548m. The fund continues to limit capacity by capping the maximum number of units in issue, there is currently a small amount of capacity available due to the natural rate of investor turnover. 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 31 May 2022

	Share Class[2]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[1]	**155.36**	**182.77**	**26.25**	**26.03**	**26.15**
Period	**% Change**				
May 22	**-0.9**	**-2.0**	**-0.9**	**-2.0**	**-2.1**
April 22	1.4	2.0	1.4	2.0	2.0
March 22	0.2	-0.8	0.2	-0.8	-0.8
February 22	-2.6	-2.7	-2.5	-2.6	-2.6
January 22	1.1	1.6	1.1	1.5	1.5
December 21	1.5	2.9	1.5	2.6	2.7
2022 to date	**-0.8**	**-2.0**	**-0.8**	**-2.0**	**-2.0**
Annualised return[3]	**12.6**	**11.6**	**8.9**	**8.8**	**8.9**
Since launch[3]	**1482.9**	**1197.8**	**162.5**	**160.3**	**161.5**
	Discrete 12 Month Rolling Performance - % Change				
To 31 May 22	5.2	6.4	5.2	5.9	5.9
To 31 May 21	19.0	24.6	19.0	25.0	25.0
To 31 May 20	-11.7	-13.2	-11.7	-13.9	-13.9
To 31 May 19	11.3	10.4	11.3	10.2	10.3
To 31 May 18	3.0	2.2	3.0	2.6	2.6

[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 0.9% in May. Our long book cost 2.3% while the Fund's short exposure contributed 1.6%. Although Sto reported strong first quarter sales growth and confirmed its full year outlook, while remaining cautious given the war in Ukraine, the stock fell in May costing the fund 1.2%.

Top 5 Contributors and Detractors for May 2022

Contributors	MTD (bp)
US food manufacturer	34
UK building products distributor	24
Strabag Se-Br	23
HeiQ Plc	18
Banca Farmafactoring SpA	17

Detractors	MTD (bp)
STO SE & Co KGaA	-121
UP Global Sourcing Holdings Plc	-48
IG Group Holdings Plc	-40
Sanderson Design Group Plc	-30
Lumi Gruppen AS	-25

Individual stock attributions are gross of fees and expenses (including financing/ stock borrowing costs)

Corticeira Amorim – Portuguese Materials Company (0.7% NAV)

Lisbon listed Corticeira Amorim is the world's largest cork processing group and the global leader in the closures market with a 27% share, producing almost six billion stoppers every year. This family-run business presents many of the key strategic attributes we look for in an investment: dominant market share, high barriers to entry, fragmented customer and supplier bases and positive product substitution dynamics as cork (65% share of wine bottle closures), together with aluminium (25%), continues to take share from plastic (10%). We have kept the shares on our radar screen while following the company from the side-lines for some time. The recent market sell off has finally given us the opportunity to build a position in what we believe is an undervalued global market leader with solid growth and margin recovery prospects.

Founded in 1870, the Amorim family still own more than 70% of the business. The company operates across the cork value chain, from the sourcing of the cork from landowners to the production and distribution of a range of cork products, including cork stoppers (70% of 2021 sales), floor and wall coverings (14%) and composite cork (14%). Cork trees are only harvested in a very limited part of the planet, with Portugal and Spain accounting for circa 80% of total global cork production, while Corticeira's geographical sales split tends to follow wine production, with France, the US and Italy accounting for 19%, 17% and 13% of 2021 sales respectively.

We believe Corticeira is a very solid business with many attractive attributes. The company enjoys a 40% global market share in the cork stoppers market segment, more than twice the size of number two. Its 150 years of history and geographical presence have allowed Corticeira to build long lasting relationships with landowners, who have considered Corticeira a reliable partner for decades. This, we believe, represents a competitive advantage when it comes to procurement, and a strong barrier to entry for potential newcomers. Moreover, being the largest buyer and having a very diversified supplier base gives Corticeira good bargaining power and lower risk. The client base is equally as diversified, with over 29 thousand clients. Furthermore, the largest client only accounts for about 1% of revenues, limiting customers' bargaining power.

The business reported revenues of EUR 838m in 2021 and should be able to sustain a mid-single-digit organic growth rate over the long term, mainly driven by wine premiumization, exposure to sparkling wines and spirits, and product innovation. Operating margins have declined by roughly 4 percentage points in the past 4 years to 11.2%, initially driven by a temporary fluctuation in cork prices and then due to COVID. Despite recently introduced mid-single-digit price increases, we are cautiously not expecting a significant pick up in profitability this year given the increase in some costs such as glues and energy, but we believe margins should improve towards the levels reached in 2016/2017 over the next few years. Corticeira has a structurally large working capital requirement, at more than 40% of sales in 2021, because it needs to store and treat the cork for about six months, as well as keep inventories at local distribution points globally. While we would clearly prefer a lighter working capital requirement and consequently a higher post tax return on capital than the circa 11.5% the company has achieved in 2021, we are convinced mid-teen levels should be reachable as profitability recovers.

With a lease adjusted net debt of only EUR 35m and free cash generation that should go back to 2020 levels of around EUR 80m in 2023 after a subdued 2022, we believe Corticeira has a strong balance sheet that leaves room for both acquisitions and capital returns, with a regular dividend of EUR 0.2 per share that is almost three times covered. In January the company purchased a 50% stake in Turin based SACI for EUR 49m, equivalent to an estimated 9 times enterprise value to this year's operating profits. Not only do we think the price paid for the world-leading producer of wirehoods for sparkling wines is attractive, but we also find the deal strategically sound as it strengthens Corticeira's presence in the wine value chain, and we hope to see more niche add-on acquisitions in the future.

With the share price down circa 20% since its peak in October last year, and a current market capitalisation of EUR 1.4bn, the market is valuing the shares at circa 14 times enterprise value to 2023 operating profits after tax. We are convinced a solid, world-leading, family-owned business with a dominant global market share like Corticeira should trade on a multiple of 18 times, roughly in line with the average multiple of the last five years, which would point to an upside for the shares of more than 30% by December 2023.

For further information please contact:	Adam Sullivan, Ennismore Fund Management	+44 (0) 20 7368 4224	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

Top Five Long Holdings as at 31 May 2022

Company	Country	Sector	% of NAV
STO SE & Co KGaA	Germany	Materials	6.9
IG Group Holdings Plc	United Kingdom	Financials	2.9
UP Global Sourcing Holdings Plc	United Kingdom	Consumer Discretionary	2.6
Vossloh AG	Germany	Industrials	2.6
D4t4 Solutions Plc	United Kingdom	Information Technology	2.6
			17.6

Exposures as at 31 May 2022

Longs%	Shorts%	Gross Exposure%	Net Exposure%
74.1(75.3)	41.6(37.9)	115.7(113.1)	32.5(37.4)

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 31 May 2022

Country	Gross%	Net%
Austria	2.7	2.1
Belgium	2.5	2.5
Finland	1.3	-1.1
France	4.1	3.5
Germany	24.2	16.2
Italy	2.6	1.8
Netherlands	2.9	2.1
Norway	5.2	-2.1
Other	1.6	-0.3
Poland	0.7	0.7
Spain	1.6	1.2
Sweden	11.6	-5.2
Switzerland	8.3	0.3
United Kingdom	40.7	13.3
United States	5.7	-2.5

Market Cap	Gross%	Net%
>£2bn	15.3	3.7
£700m - £2bn	40.8	-4.3
£200m - £700m	41.5	17.3
<£200m	18.2	15.9

Positions	May	Apr
Long	79	79
Short	90	88
Longs Opened	1	3
Longs Closed	1	1
Shorts Opened	6	5
Shorts Closed	4	5

Sector	Gross%	Net%
Communication Services	3.4	0.9
Consumer Discretionary	33.4	4.9
Consumer Staples	9.0	-3.4
Energy	0.0	0.0
Financials	7.3	6.9
Health Care	4.6	1.7
Industrials	25.6	8.1
Information Technology	18.3	1.0
Materials	11.3	9.8
Real Estate	2.7	2.7
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:	Adam Sullivan, Ennismore Fund Management	+44 (0) 20 7368 4224	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 a marketing communication. Please refer to the Ennismore European Smaller Companies Plc Prospectus, supplement thereto and to the KIID before making any final investment decisions.
A copy of the English version of the Prospectus of the Fund and the Key Investor Information Document (KIID) relating to the Fund may be obtained online from www.ennismorefunds.com or alternatively received via email upon request by contacting clients@ennismorefunds.com. Where required under national rules, the KIID will also be available in the local language of the relevant EEA Member State.
A summary of investor rights associated with an investment in the Fund is available online in English at www.ennismorefunds.com or it may be received upon request via email by contacting clients@ennismorefunds.com.
A decision may be taken at any time to terminate the arrangements made for the marketing of the Fund in any EEA Member State in which it is currently marketed. In such circumstances, Shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the Fund free of any charges or deductions for at least 30 working days from the date of such notification.
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:	Adam Sullivan, Ennismore Fund Management	+44 (0) 20 7368 4224	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