Ennismore Global Equity Fund

Investor Newsletter for the month of August 2022

Issued on 7 September 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 USD 118m as at 31st August. Total assets under management by Ennismore Fund Management were USD 573m. The number of shares issued by our funds is capped in order to limit the level of assets under management in each strategy. We currently have capacity available in the Ennismore Global Equity Fund. If you would like to invest please contact Adam Sullivan on +44 (0) 20 7368 4224 or email subs@ennismorefunds.com.

Performance as at 31 August 2022

	Share Class					
	GBP	GBP A	EUR	CHF	EUR I	USD I
NAV per share[1]	11.28	11.22	11.33	10.21	8.77	8.86
Period	% Change					
August 22	0.4	0.4	-2.7	-1.6	0.1	0.3
July 22	4.6	4.6	7.4	4.2	4.4	4.6
June 22	-5.2	-5.2	-6.3	-8.8	-5.4	-5.1
2022 to date	-5.0	-5.0	-7.7	-12.6	-6.2	-4.9
Annualised return[2]	2.1	2.0	2.1	0.4	-3.1	-3.3
Since launch[2]	12.8	12.2	13.3	2.1	-12.3	-11.4
	Discrete 12 Month Rolling Performance					
To 31 August 22	-3.2	-3.2	-4.0	-12.8	-4.9	-3.3
To 31 August 21	11.2	11.1	15.7	16.5	9.9	10.8
To 31 August 20	-24.8	-25.0	-24.7	-25.7	-26.1	-24.8

[1]Source: Administrator, Net Asset Value. [2]Since inception of GBP, GBP A, EUR and CHF share classes on 03/10/16, EUR I share class on 03/07/18, USD I share class on 02/01/19. Note: All performance figures net of fees. **Past performance is not a guide to future returns.**

Top 5 Contributors and Detractors for August 2022

Contributors	MTD (bp)
Flutter Entertainment PLC	76
US financial services company	47
Admiral Group PLC	41
US electronics retailer	34
Wise PLC	31

Detractors	MTD (bp)
Deliveroo PLC	-74
Ascential PLC	-67
IHS Holding Limited	-28
Buzzi Unicem SpA	-27
NICE Information Service Co Ltd	-23

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

Top Five Long Holdings as at 31 August 2022

Company	Country	Sector	% of NAV
Buzzi Unicem SpA	Italy	Materials	8.5
Royal Mail PLC	United Kingdom	Industrials	8.0
Schibsted ASA	Norway	Communication Services	5.8
Deliveroo PLC	United Kingdom	Consumer Discretionary	5.8
Admiral Group PLC	United Kingdom	Financials	4.3
			32.4

Exposures as at 31 August 2022

Longs%	Shorts%	Gross Exposure%	Net Exposure%
84.0(89.4)	54.4(44.8)	138.4(134.2)	29.6(44.6)

Figures in brackets refer to previous month end. All exposures are calculated on a delta adjusted basis. All calculations are subject to the impact of rounding

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 31 August 2022

Country	Gross%	Net%
United States	50.6	-17.8
United Kingdom	29.5	25.5
Italy	9.1	7.9
Norway	8.8	4.0
Germany	8.1	4.3
Sweden	7.2	6.4
Austria	4.2	-4.2
Europe	4.0	-4.0
Japan	2.8	2.8
Belgium	2.2	2.2
South Korea	1.7	1.7
Other	10.2	0.9

Market Cap	Gross%	Net%
>$10bn	29.8	-3.1
$5bn - $10bn	22.8	10.1
$1bn - $5bn	64.8	33.0
<$1bn	21.1	-10.3

Positions	Aug	Jul
Long	40	38
Opened	4	0
Closed	2	6
Short	74	81
Opened	8	8
Closed	15	12

Sector	Gross%	Net%
Communication Services	24.6	16.9
Consumer Discretionary	25.4	8.6
Consumer Staples	8.1	4.8
Energy	0.0	0.0
Financials	14.6	7.7
Health Care	4.2	-3.7
Industrials	20.8	0.4
Information Technology	18.0	-8.1
Materials	14.6	10.6
Real Estate	1.7	-1.0
Utilities	0.0	0.0
Other	6.4	-6.4

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

Important Notice

On the 19th August we informed all the shareholders of the Ennismore Global Equity Fund that, after twenty years with Ennismore Fund Management, Leo Perry was leaving.

Leo joined us in 2001, initially working in our support office before moving into the investment team in 2003. He was a senior portfolio manager within the European Smaller Companies Fund before driving the launch of the Global Equity Fund in 2016.

Rich Stuckey and Stewart Lim, who have managed more than half of the Global Equity Fund for the last 18 months, will continue as before. Our founder Geoff Oldfield has returned to managing money, taking over Leo's portion of the fund. He has worked closely with Leo over the last two weeks to ensure a smooth handover.

We would like to thank Leo for his considerable contribution to Ennismore's success over two decades, and we wish him every success in his future ventures. We know these feelings are mutual. As a parting comment, Leo says "Fraudsters shouldn't necessarily read this news as a sign they can sleep any easier!"

Although there will of course be changes to the portfolio with Leo leaving, much more will remain the same. Most importantly, we'll continue to manage the fund according to Ennismore's well established margin of safety philosophy, scouring the world for deeply mispriced companies. We'll examine briefly in this letter what changes you should expect in the coming months and offer a reminder of why we believe we are well set up to deliver good results for you in the future.

The portfolio

With Geoff taking over Leo's portion of the fund, it is reasonable to expect a less concentrated long book. In turn we'd expect this to result, ceteris paribus, in somewhat lower volatility. You can already observe this in the portfolio: the top five positions account for 32.4% of NAV at the end of August, compared to 36.3% at the end of July.

On the short side, there will be fewer positions. Again, this is already visible. We closed the smallest positions in Leo's short book during August, leaving a total of 74 short positions in the fund, compared to an average of 90 during the last six months. We may trim the tail some more in the next couple of months.

The fund has always had a strong bias to small and mid-cap companies: typically, the median market cap of a company in the portfolio has been under GBP 5bn. We have taken, and will continue to take, some positions in much larger companies, both long and short, but the large majority of your capital will continue to be deployed in smaller, less well-researched companies. With Geoff managing a substantial portion of the fund, we expect the median market cap to be slightly smaller in future.

We would emphasise that the extremely high liquidity of this daily Fund will not change. Our internal rule is that the Fund's holdings can be liquidated within 10 days, in line with its 10-day settlement period. Currently, 86% of the fund's assets could be liquidated within 2 days and 98% within 5 days. As at the end of August, internal money, i.e. shareholders who are directly involved with Ennismore, accounts for 35% of the Fund.

Communication

One of Leo's many talents is his clear and entertaining writing style. We expect to fall short in this area in the future. However, we will continue to share our thinking about how the portfolio is positioned in our quarterly letters as well as outlining investment theses and providing insights into our investment approach.

In addition, we will include a brief comment on a position in the months between, where until now we have just produced the key statistics without any narrative. We start this month with a discussion of Nippon Television Holdings, Inc. ("Nippon TV") at the end of the letter.

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What will not change?

The core tenets of Ennismore's approach have been consistent throughout its almost 25-year history. As Leo wrote so eloquently in the September 2018 newsletter, when explaining why our long-term track record had been so strong:

> "We are pretty sure the answer is not individual genius. For starters, we have met us. We'd say we are smart and work hard but a lot of people fit that bill. In fact, quite a few have at Ennismore over the years. None of the original team are managing money today …..[well, one is back!]…... 20 years from now we think the individuals will be different again. We strongly believe investment decisions are best made by individuals but there is no "Special One" here (or, it seems, at Man United either)…[just a "Normal One" – Liverpool fan's addition!]…... No one with their name up in lights, or on a fund. Ennismore is more than that.
>
> Some features of our business model are probably significant because they attract people who are suited to long term investing, where a lot of time usually passes between effort – doing research that highlights a probable mispricing – and reward. We don't hire in senior fund managers and the path to becoming one is long. It is also clear, with equity ownership and remuneration that is transparent and tightly correlated with long term return on capital. It's our version of the Stanford marshmallow experiment – people who can't wait don't work here.
>
> We don't have a sales-driven organisation. No career analysts pushing ideas to fund managers inside the firm. No one selling our products outside of it. No investor relations, no marketing people. Most important, though, is what we do do. We manage as much money as we think is consistent with maintaining our returns, not maximising our bottom line. And we do our own research. It's not outsourced externally to the sell side, which has all the wrong incentives to do it thoroughly and independently. It's not outsourced internally either. The fund manager does the work and then backs themself. Glamorous it ain't - our office is more like a library than a trading room - but we think it is a great environment for making well thought-through decisions.
>
> Other features of our business model are probably significant because they give investors who work here a sustainable edge (although we recognise these are impossible to quantify). In an earlier letter (October 2016) we talked about our time horizon as one. The key point is not that we are able to time our investments, we almost never are. What we are able to do is hold for the long term. It is well documented that equities have historically outperformed less risky investments over most periods of more than a decade, but trading volumes show that the average shareholder today is extremely short-lived. We can think like the owners of a business we invest in because we are the owners of our business. We have always tried to make sure that clients understand and share our investment philosophy (one kindly pointed out to one of us recently that nothing had changed since the last time we met, ten years earlier, other than our hairline)."

And in September 2019:

> "The Fund's name is not small on ambition. That was deliberate. We want to look for investment opportunities everywhere. But we haven't put your money into exotic markets or complicated instruments. We stick closely to what has worked for us since Ennismore started, back in the last century. We aim to invest in high quality companies in developed markets when they seem under-valued, and to short the bottom of the barrel."
>
> Leo was a true ambassador for Ennismore. It was an absolute pleasure to work with him over two decades. We will miss his incisive mind and his easy-going nature, but we expect our paths to cross regularly in the future.

Fund performance and positioning

The fund was up 0.4% in GBP and down 1.6% and 2.7% respectively in CHF and EUR in August. The fund is up between 2.5% and 5.0% in the quarter to date. Both the long and short books added value relative to the MSCI World Index in the quarter so far. A significant chunk of the long book return was generated by Wise plc, which we discussed in the June letter. Wise's trading update for the June quarter prompted another substantial upgrade to consensus revenue expectations, whilst the market appears to be increasingly recognising that Wise will generate substantial interest income on its account deposits with short term rates up so much over the last six months.

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The fund's net exposure at the end of Q2 was in the upper half of our typical 25%-75% range. Our net exposure has fallen materially in recent weeks towards the low end of the range due to increased short exposure. The short opportunity amongst the dregs of the stock market became more compelling again after a re-emergence of speculative behaviour, including a slightly half-hearted echo of the retail craze of 2021. Net exposure at the end of August was 30%, and beta-adjusted net exposure was 17%.

Nippon Television Holdings, Inc – Japanese television broadcaster (2.3% NAV)

By mid-2022, Nippon TV has on its balance sheet JPY73bn in net cash and short-term investments, over JPY210bn in bond investments, and around JPY180bn in listed equity investments – the largest of which is a stake in Recruit Holdings worth JPY129bn. These add up to around JPY460bn, which compares to the current market cap of around JPY300bn. We are excluding over JPY100bn in unlisted equity and associate investments as we have no visibility into what these investments are.

The company is one of the major free-to-air commercial broadcasters in Japan. Historically annual net profits have been in the range of JPY30-40bn, and management guides to the top of the range for the current fiscal year to March 2023. When spot advertising dropped by almost 50% in some months during 2020, Nippon TV was still able to make over JPY20bn in net profits – reflecting flexibility in the group's cost structure.

Nippon TV has significantly outperformed its peers over the last decade. Having peaked in 2016, terrestrial TV ad revenues in Japan steadily dropped at a rate of 2% p.a. prior to Covid. 2020 saw a further 11% contraction, followed by a 12% recovery in 2021. Nippon TV's revenue declined at half the industry rate going into Covid, followed by a 9% fall in 2020 and a 9% recovery in 2021.

The future for legacy TV businesses is uncertain. With competition likely to increase over time as more online streaming offerings become available in Japan, it is anyone's guess how revenues and profits will evolve in future. Nippon TV has a strong content production franchise, however, as evidenced by its consistently high viewer ratings, and its content-related sales (which account for more than a quarter of media revenues) are agnostic to distribution channel. Management also has a tight grip on expenses, with production costs now 10% lower than a decade ago, even with significantly higher revenues.

The company operates in an industry where foreign ownership is restricted, which means voting and economic rights are limited once greater than 20% is held by non-domestic shareholders. At the end of March 2022, 4% of Nippon TV's shares – being foreign owned and beyond the 20% cap – are not registered, resulting in us receiving only 83% of the dividends declared. This gives a yield of roughly 2.5% compared to 3% for domestic investors.

A fair question is what will close the current gap to intrinsic value? In 2015 Japan's first corporate governance code was introduced, and since then we've seen more share buybacks announced, cross shareholdings reduced, and more domestic M&A activity take place. Nippon TV has reduced its stake in Recruit Holdings by 15% since the end of 2020, although the overall cash and investments holdings continue to grow as dividend payments remain modest. There are signs of progress, if much slower than we'd like.

We think we are well compensated however with the shares currently trading near 30-year lows relative to net tangible book value, and with a still highly profitable business to boot. Taking the existing cash and marketable securities and adding a conservative 5x multiple of the average historic net profit of the operating business, we see well over 100% upside to the current share price.

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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.

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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.

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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.

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