Ennismore Global Equity Fund

Investor Newsletter for the month of January 2023

Issued on 6 February 2023

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 122m as at 31st January. Total assets under management by Ennismore Fund Management were USD 591m. 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 Global Equity Fund. If you would like more information or to invest please contact Adam Sullivan on +44 (0) 20 7368 4224 or email subs@ennismorefunds.com.

Performance as at 31 January 2023

	Share Class[2]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[1]	12.58	12.52	12.39	11.35	9.68	9.90
	% Change					
January 23	0.7	0.7	1.3	2.4	0.6	0.8
2023 to date	0.7	0.7	1.3	2.4	0.6	0.8
Annualised return[3]	3.7	3.6	3.4	2.0	-0.7	-0.2
Since launch[3]	25.8	25.2	23.9	13.5	-3.2	-1.0
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 fx and interest contributions to cash and are prior to expenses.

The Fund's NAV increased by 0.7% in January. Our long book contributed 7.0% while our short exposure cost 5.9%.

Stock markets started 2023 on a strong footing with substantial gains across markets globally, with slowing inflation (and thereby slowing interest rate rises) and China's reopening contributing to improved sentiment regarding the economic outlook. In general, prices reversed the trend of 2022, with last year's weakest performers becoming this month's strongest. This was a hostile environment for our short book, which contained the five largest detractors – although only our position in a Hong Kong software company cost us more than 50bps during the month (51bps.) There was no material news flow in the name.

Amongst the top contributors, our position in Schibsted ASA added 59bps after rising 16%. The company announced that its media division will reduce costs by NOK 500 million to bring its EBITDA margin back into the target range of 10-12% in 2024. Ascential Plc contributed 56 bps on a 33% gain after it released a solid trading update showing double digit revenue growth across all segments, and more importantly announced it would conduct a major restructuring involving the sale of one business and separation of the remaining parts into a digital commerce unit and an events business. We expect this process to crystallise the value we believe exists in the group and have increased our position.

Top Five Contributors and Detractors for January 2023

Contributors	MTD (bp)
thyssenkrupp AG	113
Moneysupermarket.com Group Plc	77
Buzzi Unicem SpA	74
Schibsted ASA	59
Ascential Plc	56

Detractors	MTD (bp)
Hong Kong software company	-51
US financial services company	-46
US technology company	-39
Norwegian energy machinery supplier	-33
US technology company	-29

[1]Source: Administrator, Net Asset Value.
[2]Source: Administrator, Net Asset Value, net income reinvested.
[3]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.

Top Five Long Holdings as at 31 January 2023

Company	Country	Sector	% of NAV
Buzzi Unicem SpA	Italy	Materials	6.0
thyssenkrupp AG	Germany	Materials	5.6
Schibsted ASA	Norway	Communication Services	5.5
Admiral Group Plc	United Kingdom	Financials	4.5
Moneysupermarket.com Group Plc	United Kingdom	Information Technology	3.9
			25.4

Exposures as at 31 January 2023

Longs%	Shorts%	Gross Exposure%	Net Exposure%
78.1(76.1)	45.7(40.8)	123.9(116.9)	32.4(35.3)

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 January 2023

Country	Gross%	Net%
United States	40.6	-20.4
United Kingdom	27.9	25.0
Norway	9.1	2.8
Germany	8.5	8.5
Italy	6.0	5.9
Sweden	5.9	0.7
Belgium	3.8	3.8
Japan	3.3	3.3
Austria	3.1	-0.9
Switzerland	2.4	-0.2
Mexico	2.4	2.4
Hong Kong	2.2	-1.9
South Korea	1.9	1.9
Brazil	1.4	1.4
Ireland	1.1	1.1
Australia	1.1	-1.1
Other	3.2	0.0

Market Cap	Gross%	Net%
>$10bn	21.9	-0.2
$5bn - $10bn	19.5	10.2
$1bn - $5bn	66.9	24.8
<$1bn	15.5	-2.3

Positions	Jan	Dec
Long	47	50
Short	78	74
Longs Opened	1	3
Longs Closed	4	0
Shorts Opened	9	10
Shorts Closed	5	3

Sector	Gross%	Net%
Communication Services	20.3	12.7
Consumer Discretionary	17.7	6.9
Consumer Staples	6.6	3.4
Energy	0.0	0.0
Financials	15.8	5.7
Health Care	4.9	-3.9
Industrials	17.1	-3.1
Information Technology	21.2	1.7
Materials	15.4	11.1
Real Estate	3.3	-0.5
Utilities	0.0	0.0
Other	1.5	-1.5

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

Automatic Bank Services – Israeli card network (0.8% NAV)

Automatic Bank Services (Shva) was set-up in 1978 by five large Israeli banks, initially to operate and link the local ATM network, and subsequently to authenticate and process debit and credit card transactions in the country. Similar to card schemes like Visa and Mastercard, issuers and consumers gravitate towards payment solutions that have the widest merchant coverage and vice versa, resulting in a virtuous cycle where only a few players gain sufficient scale to operate profitably. In a relatively small geographic market like Israel, this means Shva's practically the only game in town, allowing them to earn healthy post-tax returns on capital employed in excess of 20%.

Roughly half of revenues are generated by monthly connection fees of merchant terminals to their network, with another 40% by card transaction volumes, while cross-bank ATM and other services account for the remainder. Card-related revenues grew consistently in a range of 7-9% each year from 2011 through 2017, then accelerated to a compound rate of almost 15% per annum due in part to terminal security upgrades, primarily chip-and-PIN, as well as legislation that discourages the use of cash to combat illicit activities. Since 2017, the business has delivered an incremental operating margin of 73% as it enjoyed significantly higher volumes on a largely fixed cost structure. Shva's operating margin of 42% in the twelve months ending Sep

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

2022 is high, but still far below its much larger US peers – Visa's operating margin for example was 67% over the same period. The business is also remarkably financially efficient – between 2017 and 2021 it managed to more than triple operating profit, delivering an increase of ILS 34m – all organic – whilst investing less than ILS 20m in aggregate capital expenditure over the period.

We assume card revenue growth will revert to its historic high single digit rate going forward, continuing to take share from cash and cheques which still account for more than a quarter of domestic payments. After a margin reset in 2022/23 (see discussion below), we expect operating leverage to resume, so operating profit growth should be above 10% per annum.

The banking industry in Israel is highly concentrated, with the top two banks – Bank Hapoalim and Bank Leumi – accounting for around 60% of deposits and loans. The Strum Committee was therefore tasked in 2015 with finding ways to increase competition in the sector. Legislation was passed in 2018 that unbundled various financial services, standardised communication protocols, eased the process of switching bank accounts, but most importantly for Shva, required the separation in ownership of the existing credit card companies from the banks. This led to the public listing of Isracard by Bank Hapoalim and the sale of Leumicard/MAX by Bank Leumi to Warburg Pincus in 2019, with Israel Discount Bank expected to divest CAL sometime this year. Currently these entities account for over 90% of Shva's revenues, which also reflects their respective market shares in the domestic payments card market.

With the major credit card companies no longer controlled by the banks, it didn't make sense for Shva – which runs the core infrastructure that enables card payments to occur – to remain under bank ownership. Hence, we saw the company also going public in 2019. With no entity allowed to own more than 10% of the business, around 60% of shares are currently owned by four of the original banks that established the company, as well as Visa and Mastercard, both of whom acquired their stakes around the time of the IPO and notably decided not to compete with Shva in Israel.

Until 2017, Shva was restricted to providing services only to the banks and credit card companies. Recent reforms mean this is no longer the case, which should help reduce the degree of client dependency going forward, enabling them to sell solutions to non-bank entities such as fintech start-ups. Moreover, the amount the company charges per card transaction has remained constant in the past decade at around ILS 0.025 or 0.75 US cents, which compares favourably to global peers such as Visa and Mastercard who charge roughly 4-9x higher. Currently there isn't much revenue generated as well from non-core services such as currency conversion, data analysis, added security features, etc, providing further upside optionality.

As part of the reforms Shva was required to cease sharing operations with Masav – a much smaller entity formed in 1982 by the same major banks, and which handles most of Israel's domestic wire transfers. Initially this was contested as the separation would lead to additional overheads for both companies and price hikes for consumers. That was however to no avail and the details were finalised in early 2022. Revenue growth has also decelerated to around 7% in the first nine months of 2022 after a period of very strong growth, leading to the share price roughly halving from the highs achieved at the start of the previous year. Promptly, we acquired the vast majority of our current position against this backdrop of events.

Masav is also developing a real-time payments system similar to the UK's Faster Payments service for bank-to-bank transfer. This has created some concern over a potential competing network. We are sceptical given the UK experience, where Faster Payments hasn't negatively impacted the usage of existing card networks. The Bank of Israel also explored the possibility of introducing a competing card scheme for Shva in 2016. It concluded that there was little to gain from doing so, considering the added costs involved in maintaining the second network not to mention the relatively low price Shva charges for its services.

The company is currently valued at around ILS 582m ($167m) and has net cash and short-term investments of roughly ILS 165m ($47m) as of Sep 2022. During the fiscal year ending Dec 2021, the business generated net operating profits after tax (NOPAT) of ILS 39m ($11m). Going forward margins will be depressed as the Masav separation proceeds and added overheads are taken on by Shva. We expect NOPAT to eventually stabilise around ILS 35m ($10m) sometime in 2023/24, which, after conservatively adjusting for ILS 80m ($23m) of regulatory capital requirements, puts the shares on 14.2x enterprise value to NOPAT, with revenues continuing to grow at high single digits and operating profits substantially higher due to operating leverage. And that is before taking into account upside optionality from new value-added services and potential price increases. The company also pays out half of its net income as dividends, which places the shares on a 3% dividend yield.

Shva owns a payments infrastructure that's not only vital to the Israeli economy, but that's also expected to keep growing in value. Short term issues unrelated to the core business has led to the current mispricing of the shares. The existing operations don't need that much capital to grow volumes, which should eventually lead to much higher margins. On a more reasonable, but still very conservative, 20x after-tax earnings multiple, we believe the company's shares could increase by around 50% over the next couple of years.

Monthly percentage return for the GBP A share class of the Global Equity Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	0.7												**0.7**
2022	-1.7	-3.2	-3.3	3.4	0.4	-5.2	4.6	0.4	-0.4	0.5	4.2	6.2	**5.2**
2021	-2.6	1.4	2.6	3.0	0.7	-0.9	2.2	1.2	1.9	-3.9	1.8	2.3	**10.0**
2020	-4.7	-6.6	-5.4	4.6	-0.9	2.2	-4.4	-10.2	5.3	-0.7	-3.6	2.2	**-21.3**
2019	2.9	1.0	0.3	1.7	-0.2	0.5	1.0	1.8	1.9	0.0	-4.4	0.7	**7.3**
2018	-4.4	5.9	-0.9	3.3	2.9	5.9	1.9	4.0	0.9	0.8	0.5	-3.0	**18.6**
2017	-0.1	-1.4	-1.2	-2.9	1.7	-1.5	1.0	3.2	-2.8	1.3	-1.2	5.5	**1.3**
2016										1.3	-0.8	5.3	**5.8**

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

Warning: This newsletter is issued by Ennismore Fund Management Limited, authorised and regulated by the Financial Conduct Authority. Past performance is not necessarily a guide to future performance. The value of shares can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of shares to fluctuate. Any reference to individual investments within this newsletter should not be taken as a recommendation to buy or sell. This newsletter should be read in conjunction with the full text and definitions section of the Prospectus dated 25 February 2022 and Supplement thereto. The Prospectus, Supplement and Key Investor Information documents are available in English at www.ennismorefunds.com