Ennismore Global Equity Fund

Investor Newsletter for the month of September 2023

Issued on 6 October 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 GBP 134m as at 29th September. Total assets under management by Ennismore Fund Management were GBP 482m. 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 29 September 2023

	Share Class[1]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[2]	13.86	13.79	13.91	12.37	10.55	10.91
	% Change					
September 23	4.9	4.9	3.8	4.9	5.0	4.9
2023 to date	11.0	10.9	13.7	11.6	9.7	11.1
Annualised return[3]	4.8	4.7	4.8	3.1	1.0	1.9
Since launch[3]	38.6	37.9	39.1	23.7	5.5	9.1
Note: All performance figures net of fees. **Past performance is not a guide to future returns.**						

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

The fund's NAV increased by 4.9% in September, with the long and short book adding 0.2% and 4.4% respectively.

In a quarter where broader equity indices were roughly flat overall the fund had a strong period, returning 8.3%, with positive contributions from both long and short books. To some extent this reflects tailwinds from the fund's positioning as fairly sharp increases in bond yields helped to curtail valuations on more speculative businesses. Yield increases were sharper in the US than elsewhere, and this alongside an associated move higher in the US dollar resulted in US indices underperforming other markets which helped given our net short exposure to the US market.

Performance in the short book was broad-based, with no material detractors and no single stock contributing more than 0.5%. Overall, the short book contributed 6.1% on average exposure of 41%, resulting in an implied return on capital of -14.9% for the short portfolio during the period. Atlanticus Holdings Corp (discussed in our December 2022 letter) was the largest contributor, generating 0.4% for the fund. After a sharp rally earlier in the year, the stock is now up modestly for the year. We believe the position remains compelling: management has continued to mark its loan book increasingly aggressively during 2023 and with oil prices up sharply in recent months and student loan repayments recommencing in October, discretionary incomes for Atlanticus subprime consumer base will be further squeezed. The short book contains a large number of new names since the end of Q2 after a significant short squeeze in the US in May and June resulted in a productive period for identifying new short ideas in the more speculative end of our short portfolio. We are enthused about the outlook for our short book from here.

In the long book, performance was driven by idiosyncratic movements in the portfolio, both positive and negative (but fortunately more positive than negative!). The long book contributed 2.1% on average exposure of 78% for an implied return on capital of 2.7%. The main positive contributors were Schibsted ASA ("Schibsted") and Adevinta ASA ("Adevinta", in which Schibsted owns a large stake) which in aggregate added 2.1% to the fund in the quarter after a private equity bid for Adevinta was confirmed by the company. Admiral Group plc also contributed 0.8% after reporting solid earnings for the first half where management indicated that the core UK motor insurance portfolio was on the cusp of growing volumes again after just over a year of shrinkage.

Despite the positive period of performance, we have yet to find an elixir for the newsletter curse. Strix Group plc was the largest detractor in the period, costing the Fund 0.5% in the period after reporting disappointing performance in its core kettle controls segment and cutting its outlook. With the business running close to its debt covenants, the shares declined by 45% during the quarter. We have spoken to management and remain confident that our thesis of a forthcoming recovery in kettle control volumes is delayed not invalidated. The business now trades on a range of 9-10x NOPAT for the next twelve months, and likely 6-7x for 2025.

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

As discussed above, we have found plentiful new short opportunities during the third quarter. As we have responded to the opportunities thrown up our exposures have moved somewhat: net exposure was 36% at the end of September compared to 40% at the end of June. Beta adjusted net exposure moved more sharply, from 31% to 19%, as the shorts we added were skewed to lower quality, higher beta names. Gross exposure was unchanged at 115% as our increase in short exposure was offset by a slight reduction in long exposure.

Rather than attempt to exorcise the newsletter curse, we are taking a different tack this time. We write on a short position, outlining our thoughts on iRhythm Technologies, Inc., which we added to the fund during Q3. First though, after the news of the bid, and with Schibsted and Adevinta in total comprising 6.6% of the fund at the end of September, we provide an update on these two positions.

Top Five Contributors and Detractors for September 2023

Contributors	bp
Adevinta ASA	81
Schibsted ASA	34
Nippon Television Holdings Inc	29
D'Ieteren Group SA	28
US financial services company	26

Detractors	bp
Strix Group Plc	-38
Becle, S.A.B. de C.V.	-28
Buzzi Unicem SpA	-23
Tucows Inc	-20
Melrose Industries Plc	-19

Top Five Long Holdings as at 29 September 2023

Company	Country	Sector	% of NAV
Schibsted ASA	Norway	Communication Services	4.6
Admiral Group Plc	United Kingdom	Financials	4.6
Buzzi Unicem SpA	Italy	Materials	4.2
D'Ieteren Group SA	Belgium	Consumer Discretionary	4.1
International Distributions Services Plc	United Kingdom	Industrials	3.1
			20.6

Exposures as at 29 September 2023

Longs%	Shorts%	Gross Exposure%	Net Exposure%
75.7 (78.8)	40.1 (42.6)	115.8 (121.4)	35.7 (36.2)

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 29 September 2023

Country	Gross%	Net%
United States	37.0	-17.3
United Kingdom	28.1	26.4
Norway	7.5	6.3
Germany	7.2	5.6
Japan	6.0	6.0
Sweden	5.3	1.0
Italy	4.7	3.7
Belgium	4.1	4.1
Switzerland	1.8	-0.3
Hong Kong	1.8	-1.2
Mexico	1.8	1.8
Austria	1.4	-0.1
Israel	1.4	-0.2
France	1.3	-1.3
Spain	1.2	0.8
South Korea	1.0	1.0
Other	4.3	-0.6

Market Cap	Gross%	Net%
>$10bn	18.4	-0.9
$5bn - $10bn	33.6	25.5
$1bn - $5bn	39.1	13.6
<$1bn	24.7	-2.6

Positions	Sep	Aug
Long	59	59
Short	92	89
Longs Opened	0	2
Longs Closed	0	1
Shorts Opened	8	9
Shorts Closed	5	5

Sector	Gross%	Net%
Communication Services	18.2	15.3
Consumer Discretionary	20.2	4.6
Consumer Staples	7.0	0.5
Energy	0.0	0.0
Financials	14.4	9.0
Health Care	4.8	-4.2
Industrials	15.3	-1.8
Information Technology	20.4	1.9
Materials	12.1	8.8
Real Estate	3.2	1.9
Utilities	0.0	0.0
Other	0.3	-0.3

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

Adevinta ASA & Schibsted ASA – European online classifieds business and Norwegian media group (2.0% NAV and 4.6% NAV)

"I know now, I understand, that in our work… what's important is not fame, not glory, not the things I used to dream of, but the ability to endure." (Chekhov, The Seagull)

We've owned Schibsted in the global fund since a couple of days after launch; it is one of three companies for which this is true. We've had positions both short (as hedges against the stake held by Schibsted) and long in Adevinta, the non-Nordics part of the business that was spun off in 2019, for the vast majority of its life as a public company. It has been a frustrating journey, albeit a profitable one, thanks largely to some effective position management on our part - total contribution across the two companies since inception is just under 5% to fund NAV, which equates to a roughly low-teens annualised return on our average net exposure.

Schibsted has been and unfortunately remains a story of (largely) unrealised potential. However, the qualities of the online classified business model are such that, contrary to Margaret Atwood who said “potential has a shelf life”, we believe this potential is not perishable, or at least only very slowly. So we believe this remains a case of deferred rather than denied gratification.

Schibsted and Adevinta are basically online classifieds businesses - for property, for cars, for jobs, and for general goods. Schibsted has various other assets, but in terms of shareholder value, they are sideshows. The appeal of Schibsted back in 2016 when we bought it as the fund launched was in its strong but relatively under monetised market positions in classifieds in France, the Nordics, Spain, and a few other European countries. The market positions remain very strong today - market leadership in online classifieds is a strong equilibrium state. Unfortunately, they also remain under monetised!

Historically a concern with Schibsted, and then Adevinta, was management. It wasn't down to bad luck, or to a poor competitive position, that Schibsted's franchises didn't generate the same economics as best-in-class operators such as REA Group Ltd in Australia or Auto Trader Group plc (“Auto Trader”) and Rightmove plc (“Rightmove”) in the UK. It was because the businesses had not been tightly managed operationally, and strategic leadership was lacking. The businesses were like promising but neglected saplings - excellent rootstock, but not great gardeners.

Rightmove and Auto Trader restrained any impulse to expand outside the UK and focused instead on nourishing their trees - embedding their products ever more completely into the workflows of their estate agent and dealer customers and innovating new ways of encouraging customers to spend more. In contrast, Schibsted planted new seeds, by launching clones of the Swedish "Blocket" in various countries; and acquired new saplings in others. It followed up some of these foothold deals with attempts at in-market consolidation.

Schibsted's geographical expansion strategy wasn't necessarily worse, or better, than the approach of its British peers. But it was riskier: the biggest risks being overpaying for deals and struggling under the weight of additional complexity.

If the acquisitions were a mixed bag - LeBonCoin in France (2006 and 2010) was a bonanza, but the Spanish (in 2006 / 2013 / 2014 / 2017) and Brazilian (in 2017 / 2020) deals were barely value-creating, and Shpock (in 2015) lit the best part of half a billion Euros on fire - the management of the complexity was a shambles. This is most obvious in the tech architecture. Like evolution in the Galapagos, the Blocket clones were developed in silos by different teams. The codebases eventually diverged so much that they were unrecognisable, and totally incompatible with one another; product developments had to be done separately for each country. Similarly, acquisitions were not integrated. There was a heroic attempt in 2016-17 to develop a unified platform for all markets from scratch. This was abandoned and written off after a couple of years. There was an attempt to shift to a "modular" architecture, where a layer of software called middleware allows different core platforms to interact with modules on top, like API connections. The concept is that add-ons such as messaging, wallets, or pricing tools for car dealers can be built once and used by all sites in the group. This effort also fell by the wayside. The result is a mess.

The classified assets outside the Nordics were spun off as Adevinta in 2019, under the old Schibsted CEO. When he was eventually (and belatedly!) replaced in 2022 after merging Adevinta with Ebay Classifieds Group, the new CEO was very clear about the problem: Adevinta was working with duplicative technologies in many areas of the business, even within a single business unit in many cases. For instance, we believe there were as many as ten search technologies in use across the group.

This bogged down even the best-intentioned product development, distracted management resources from focusing on how to best serve customers and was highly cost inefficient. The replacement CEOs - at Schibsted since 2019, and Adevinta since August 2022 - have been diligently working to unpick the mess. It's a big job.

Progress at Schibsted has arguably been slow, but nevertheless significant. Healing the tree is largely invisible until the flowers start blooming, and over the last year or so the blooms are finally emerging. All of the group's data is now unified, both at the back end (with a common data lake) and the front end (with a single sign-on across all Schibsted properties). The sites are much cleaner. Finn in Norway has launched a popular transactional version of its marketplace for general goods. Most significantly, Finn changed its package structure for estate agents in early 2022. This was not rocket science, merely emulating elements of how peers have structured their pricing for many years. But the effect was dramatic: we believe property revenues in Norway will be 60-70% higher in 2023 vs. 2021. Schibsted has still to adapt its package structure for car dealers, and this is a much bigger deal. Across the Nordic markets, the motors vertical is over 40% of classified revenues. The CEO recently flagged that this package restructuring is forthcoming soon, and we would anticipate another jump in monetisation when it is launched. Finally, the group started its organisational restructuring at the beginning of 2023. Under this "verticalisation" strategy, the smaller Swedish, Danish and Finnish sites will gradually shift to the Norwegian tech platform and product development will be organised by vertical rather than by country. Within the next 12-18 months, we would expect to start seeing the benefits in terms of speed of innovation, and most prominently margins. There has been a lot of duplication within the tech and product development teams; this should gradually disappear and a smaller, more cost-effective organisation should be the result.

Adevinta is following a similar path. It is also pursuing a verticalisation strategy and aiming to simplify its tech stack, building on its core French and German businesses. From the outside, Adevinta seems to be working more urgently than Schibsted – perhaps the pressure of having a large private equity investor (Permira owns 11% of the company) heavily underwater on its EUR 2bn investment is focusing the mind. The company has recruited Ajay Bhatia from carsales.com Ltd. in Australia to take charge of its motor vertical (which accounts for almost a third of group revenues) and run the German car business Mobile.de. Having met him, we are reassured on the outlook for this business – he has a deep understanding of the classifieds business model and signposted his focus on cost efficiency by almost immediately pausing hiring within Mobile.de whilst he and his team worked to clarify the product development pipeline.

"Continuous effort, not strength or intelligence is the key to unlocking our potential" (Winston Churchill)

The core investment opportunity of bringing monetisation more in line with the value delivered by the websites remains as attractive as ever for both of these companies. To take a couple of examples: even after the property repackaging in Norway, Finn only accounts for around 25% of what vendors spend on marketing packages that are sold by Norwegian estate agents despite accounting for the vast majority of leads. At Mobile.de, the prices per car ad paid by small independent dealers are around five times what the largest dealers pay. Volume discounts are standard, but in other countries the divergence is nothing like so extreme. This offers a huge opportunity to increase revenues and earnings, whilst making the platform fairer and more sustainable for the vast majority of customers at the same time. We believe this potential is now in the process of being delivered upon much more assertively, and with more cost discipline and much more operational coherence than in the past. We expect margins to inflect at both businesses over the next few years, and with the bid approach at Adevinta and the Schibsted stub near its lows, see the risk-reward as more attractive than it has been at any stage of our ownership to date.

We own both A and B shares of Schibsted – in aggregate accounting for 4.6% of the Fund at the end of September – and have a 2.0% weighting in Adevinta standalone as well. On a look-through basis, including the total return swap ("TRS") that Schibsted holds over 3.0% of Adevinta, this leaves us with 5.6% of total exposure to Adevinta, and 1.0% of exposure to the Schibsted stub (the assets excluding the stake in Adevinta). Note that these numbers do not sum due to rounding.

We expect Adevinta to at least deliver on management's guidance for 2026: 11-15% revenue CAGR from the 2023 base, and 40-45% EBITDA margin. This implies approximately EUR 2.6bn of revenue, EUR 1.1bn of EBITDA, and perhaps EUR 600m of FCF, which assuming some buybacks would translate to a little over NOK 6 per share of FCF. Given we expect the outlook for FCF growth at that point would still be high teens or even 20% p.a., we think the stock would be reasonably attractive at NOK 150-160 in 2026. This leaves the current price of NOK 105 as decent value regardless of the private equity approach, and a short-term upside skew to a deal closing in the NOK 125-130 area in the next few months.

Schibsted appears likely to retain a stake in the company if a deal goes through. There are probably two drivers of this. First, Schibsted management believes the current price undervalues its investment, and the full value of Adevinta will only emerge over time as the transformation programme is executed. Second, the bidders are Blackstone and Permira, and the equity cheques would be too large to accommodate within these firms' PE vehicles without Schibsted and Ebay rolling over some of their stakes.

Let's assume an Adevinta transaction takes place, at NOK 125. How does Schibsted look in this scenario? Assume further that Schibsted retains half of its stake in Adevinta, leaving it with just over 14% of the company. Schibsted would be in line for roughly EUR 2bn of proceeds before tax between the disposal of c. 14%, and the cash due on the Adevinta TRS. Round down to EUR 1.5bn after tax, and this would leave the group with over EUR 1bn of net cash on the balance sheet on top of its remaining EUR 1.9bn stake in Adevinta and the operating businesses which we would value at EUR 4bn+. The implied market cap of the stub today is around EUR 1bn. We rarely find great businesses with a positive fundamental outlook and a forthcoming hard catalyst that we think are worth 4x[i] what we can buy them for. If an Adevinta deal happens, we would expect Schibsted to face very strong shareholder pressure to distribute the proceeds either through buybacks or special dividends, and the Schibsted share price to reprice sharply.

If the Adevinta bid falls over, there will obviously be a drop in the share prices of both Schibsted and Adevinta in the short term. However, as discussed above we see both companies as fundamentally undervalued even after the pop since the bid was confirmed. And we see the odds of a deal closing as reasonably high given the underlying attractions of Adevinta, the experience of both Blackstone and Permira with online classifieds businesses, and the incentives for Ebay and Schibsted.

iRhythm Technologies, Inc (-1.1% NAV)

When a food or drug manufacturer significantly violates US regulations, the Food and Drug Administration ("FDA") notifies it with a 'Warning Letter', which is published on the FDA website shortly afterwards. On 25th May 2023, the FDA issued a warning letter to iRhythm Technologies ("iRhythm") because the company has marketed its new medical device as being for high-risk patients, despite not being cleared to do so. Inspections also found that unreported technological limitations with the device could have contributed to the death of patients. We are on the distribution list for these letters – and when we read this one, we took a closer look at the business.

iRhythm is a perpetually loss-making, cash-burning medical device business which we believe is approaching maturity in its core market in the US. It has never generated positive operating cash flow in a financial year despite lavish use of stock-based compensation to the tune of almost a quarter of a billion dollars in aggregate over the last seven years. The company reports gross margins close to 70%, yet despite quadrupling revenues over the last five years has shown almost no improvement in its operating margins. This financial context makes the current valuation of almost six times sales rather surprising, even without the serious regulatory and legal issues we believe the company is facing.

iRhythm's Zio XT, the core product accounting for c. 90% of revenues, is an extended Holter ambulatory cardiac monitor ("ACM"). ACMs are portable ECGs that record cardiac activity for diagnostic analysis, typically to test for arrhythmia (irregular heartbeat, which can be an indicator of severe cardiac conditions). An extended Holter device is a small ACM affixed to a patient chest that record data locally. It is a miniaturised form of the Holter monitor, an ACM first commercialised in the 1960s. iRhythm was an early adopter of this new form, quickly took share from the legacy devices and now sits at what management estimates is roughly 70% US market share in this ACM subsegment. We see this as an example of a strong market position without a sustainable competitive advantage.

Extended Holter devices themselves are somewhat of a commodity. Differentiation comes from the associated services for patients and doctors. In fact, so important are these services that it seems more reasonable to see this business as a service-based model, not product-based. The prescribed process for an extended Holter starts with a doctor applying the device to the patient's chest. The patient goes home and the device records cardiac activity for up to 14 days before the patient removes the device and posts it to a lab. The device is then disassembled so the data can be downloaded and analysed by a cardiographer, who then sends a report back to the prescribing doctor. Medicare reimburses roughly $250-$300 but the company pays for manufacturing, postage, analysis and reporting.

With this in mind, we turn to the income statement. Whilst the reported gross margin is around 70%, a more representative number is likely lower. iRhythm has c. 1,800 employees across 66 countries and operating expenses consistently above 70% of sales. Even excluding sales and marketing, G&A expense is north of 50% of sales. We believe a considerable proportion of the G&A expenses are variable costs which would more appropriately sit in cost of goods sold. Our interpretation of the cost structure helps to explain why iRhythm's operating margins have remained below negative 20% despite the top line growing from $64.1m in 2016 to $452m over the last twelve months. Our summary opinion: this is a services business without operating leverage.

iRhythm serves c. 1.5m patients a year. Roughly 6m ACM tests are prescribed annually in the US, of which 2-2.5m is the relevant market for the Zio XT. We believe this near commodity product is approaching saturation in the US market while competing with Baxter International Inc., Boston Scientific Corporation, and Koninklijke Philips N.V. The remaining runway for even unprofitable growth in the US is reducing. The company intends to expand beyond the US but we have no reason to believe healthcare systems elsewhere will be materially more profitable. That's before considering the costs of navigating each healthcare system's peculiarities, something iRhythm's competitors have far more experience with.

With a dominant market position in what we think is a largely saturated market, and a heavily lossmaking business at its current scale, iRhythm needs something else to justify its lofty valuation.

Perhaps that something else is iRhythm's Zio AT device, a mobile cardiac telemetry ("MCT") device? This device accounts for most of the other 10% of revenue. It is functionally similar to the Zio XT but can transmit the data into the cloud rather than storing it locally. MCTs have higher reimbursement rates and, due to the live data transmission, are often indicated for higher risk patients.

Unfortunately for iRhythm, this is the device that the FDA warned the company about. The FDA claims the device has not been transmitting data effectively and, despite knowing this for some time, the company had continued to market the device beyond its approvals despite major risks to patients*:

> *"Records reviewed during our inspection indicate that your firm has been aware of customer complaints related to this issue since at least 2019. Specifically, our inspection found a significant number of complaints regarding this issue, which revealed two deaths as well as significant arrythmias that were not reported to physicians."*

On top of the FDA warning, company filings also disclose multiple subpoenas from the US Attorney's Office for the Northern District of California in 2021 and a subpoena duces tecum from the Consumer Protection Branch of the Department of Justice in April 2023. We do not know if they are related to the Zio AT but it seems a fair guess. Overall, the Zio AT seems unlikely to be that "something else".

We are then left with the Zio Watch, iRhythm's final candidate, as far as we are aware. This smartwatch sounds exciting, but our understanding is that it is a white-label product developed by Verily Life Sciences LLC, an Alphabet Inc. subsidiary**.Although iRhythm did contribute to the development of the 'Verily Study Watch' by sharing its database of cardiac recordings, we find it hard to believe that rebranding a Google-associated smartwatch as the Zio Watch will be that "something else" either. Management does not forecast significant revenue from this by 2027 and nor do we.

Nevertheless, management made bold projections out to 2027 at iRhythm's September 2022 investor day. The company estimates $286/unit for its projected >30% share of the estimated global market of 9.8m ACMs, achieving 73% gross margin and 15% adjusted EBITDA margin in the process. Taking these numbers at face value: if we assume the company accounts for a third of the global market despite its current legal and regulatory issues, and then manages to achieve higher margins than any other ACM company we can find despite its history of unprofitability, its current enterprise value is 19x adjusted 2027 EBITDA (ignoring any further cash burn en route to this target). We feel the risk-reward is attractive both in the short and long term. Recall that the FDA warning letter was only issued at the end of May, so to the extent this has a significant impact on sales, we would expect to see it in the second half of the year.

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

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2023	0.7	0.8	0.1	3.4	-1.7	-0.9	0.8	2.5	4.9				**10.9**
2022	-1.7	-3.2	-3.3	3.4	0.4	-5.2	4.5	0.4	-0.4	0.5	4.1	6.2	**5.2**
2021	-2.6	1.4	2.7	3.0	0.7	-0.9	2.2	1.2	1.9	-3.9	1.7	2.3	**10.0**
2020	-4.8	-6.6	-5.4	4.6	-1.0	2.2	-4.5	-10.3	5.3	-0.8	-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	-4.5	0.8	**7.3**
2018	-4.4	5.8	-0.9	3.3	2.8	5.9	1.8	4.0	1.0	0.7	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**

[1] Corrected from the originally distributed version

* https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/irhythm-technologies-inc-643474-05252023

**https://www.accessdata.fda.gov/cdrh_docs/pdf21/K213357.pdf

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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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