Ennismore Global Equity Fund

Investor Newsletter for the month of October 2023

Issued on 7 November 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 31st October. Total assets under management by Ennismore Fund Management were GBP 483m. 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 October 2023

	Share Class[1]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[2]	13.98	13.91	14.00	12.36	10.65	11.00
	% Change					
October 23	0.9	0.9	0.6	-0.1	0.9	0.8
2023 to date	11.9	11.9	14.5	11.6	10.7	12.0
Annualised return[3]	4.8	4.8	4.9	3.0	1.2	2.0
Since launch[3]	39.8	39.1	40.0	23.6	6.5	10.0
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 0.9% in October, with the long book costing the fund 3.5% of NAV and the short book adding 4.5%. The top contributor was Ascential which announced disposals that would result in £1.2bn of cash proceeds of which £850m will be paid as a special dividend to shareholders. This compares to a market capitalisation of £955m for the group prior to the announcement and still leaves us with an events business that generated revenues of £213m in the year ending June 2023. We also see continued broad-based performance on our short book, with no single name contributing more than 30bps. On detractors, Hasbro disappointed on its toys segment and lowered its full year outlook. Schibsted also fell after rumours emerged of buyout firms reconsidering their bid for Adevinta, in which it owns a large stake. Finally, Becle (the owner of Jose Cuervo and other tequila brands) had a weak quarter. Whilst the underlying revenue performance was decent, particularly in the tequila segment, margins disappointed as the business is still consuming high-cost inventory from before agave prices began to fall and the strength of the Mexican peso remains a significant headwind. However, we expect both of these issues to be temporary.

Top Five Contributors and Detractors for October 2023

Contributors	bp
Ascential Plc	36
US automotive manufacturer	28
US medical devices company	24
French transportation company	24
US clean technology company	24

Detractors	bp
Hasbro Inc	-57
Schibsted ASA	-52
D'Ieteren Group	-49
Becle S.A.B. de C.V	-47
Tucows Inc	-25

[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

Top Five Long Holdings as at 31 October 2023

Company	Country	Sector	% of NAV
Admiral Group Plc	United Kingdom	Financials	4.7
D'Ieteren Group SA	Belgium	Consumer Discretionary	4.3
Schibsted ASA	Norway	Communication Services	4.1
Buzzi Unicem SpA	Italy	Materials	4.1
Moneysupermarket.com Group Plc	United Kingdom	Information Technology	3.2
			20.3

Exposures as at 31 October 2023

Longs%	Shorts%	Gross Exposure%	Net Exposure%
74.9 (75.7)	42.6 (40.1)	117.5 (115.8)	32.4 (35.7)

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 October 2023

Country	Gross%	Net%
United States	37.3	-21.5
United Kingdom	29.5	27.5
Japan	8.8	6.3
Germany	7.1	4.8
Norway	6.6	5.6
Sweden	5.3	0.4
Italy	4.8	3.3
Belgium	4.3	4.3
Hong Kong	1.7	-1.2
Switzerland	1.7	-0.3
Israel	1.4	-0.5
Mexico	1.3	1.3
Spain	1.1	0.7
Austria	1.0	0.2
Poland	1.0	-1.0
Other	4.5	2.3

Market Cap	Gross%	Net%
>$10bn	16.0	-2.6
$5bn - $10bn	26.7	21.8
$1bn - $5bn	43.8	15.0
<$1bn	31.0	-1.8

Positions	Oct	Sep
Long	61	59
Short	95	92
Longs Opened	8	0
Longs Closed	6	0
Shorts Opened	15	8
Shorts Closed	12	5

Sector	Gross%	Net%
Communication Services	15.3	14.1
Consumer Discretionary	19.1	3.9
Consumer Staples	7.2	-0.5
Energy	0.0	0.0
Financials	14.9	10.3
Health Care	5.0	-2.6
Industrials	16.0	-0.1
Information Technology	22.9	-0.4
Materials	12.5	7.4
Real Estate	4.2	0.7
Utilities	0.0	0.0
Other	0.5	-0.5

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

Forterra Plc – UK building supplies manufacturer (0.4% NAV)

Forterra is a UK-listed manufacturer of bricks & concrete blocks (77% of sales) and other bespoke building products (23%). It is the former UK building products division of Hanson and was rebranded Forterra in 2015 when it was sold to a private equity firm, before listing in 2016. Forterra operates in an extremely cyclical industry, with a highly fixed cost base, volatile input costs and sells a commodity product, predominantly, to large housebuilders and distributors. These may not sound like the characteristics of an attractive investment, however, Forterra is one of three main players operating in an industry where there is a highly restricted and consolidated supply base and where a structural undersupply of affordable homes drives demand for bricks over and above domestic capacity. We have chosen to invest in Forterra of the three as it is the most focused on the UK brick market which we see as the superior business to other adjacencies. Forterra's share price has come down 55% since its August 2022 peak as a cyclical downturn developed, however, as one of the key players in the UK brick market, we expect Forterra will be a major beneficiary of this structurally attractive industry as we look through the short-term uncertainty around the housing cycle and we think the current share price offers us an attractive opportunity. We are happy to see our view corroborated by management with the CEO recently increasing his ownership in the business.

Bricks are an attractive business for several reasons. One theme we touched on in our December 2021 newsletter is high bulk-to-value products. The cheaper a product is per unit of volume, the less distance that product is able to travel profitably. The best examples of this are aggregates, which can only be transported economically for tens of miles. Bricks are much higher value per truckload than say, sand, but we estimate bricks can still only travel around 600 miles by land before the manufacturer starts to lose money on fuel and driver costs. However, with the UK being home to around 40 brick factories, and London to Edinburgh only 400 miles by road, we can't argue brick plants enjoy local monopolies. More importantly, though, we believe getting a brick across the channel costs about 8-10p per unit, compared to the current average selling price of about 50p. This means that local manufacturers enjoy a structural cost advantage which protects the domestic industry from cheap imports.

Barriers are also high for domestic challengers. Purchasing large clay reserves and then extracting the minerals require significant upfront investment to gain scale in capacity and distribution and it can then take up to 5-6 years for a factory to become operational. Gaining permission to extract clay is also becoming increasingly difficult as environmental regulations tighten. There has been very little investment in expanding brick capacity in the UK over the last 15 years, but what investment there has been has predominantly been refurbishing and extending existing manufacturing plants, rather than opening new sites, and this has been almost entirely done by the three large incumbent brick manufacturers.

Finally, bricks are also a very small percentage of the total cost of building a house. With average house prices in the UK currently around GBP 285,000, at an industry-typical 25% gross margin costs are around GBP 210,000 per unit. The average house requires 8,000 bricks which costs roughly GBP 4,000 or less than 2% of the total input costs. This cushions the price elasticity of housebuilders, helping the brick producers pass on input cost inflation. Testament to this was brick manufacturers in the UK increasing prices by 50% in 2022 to maintain margins against a backdrop of extremely high energy cost inflation, while industry volumes remained flat.

The supply of bricks in the UK has changed significantly over the last 25 years – to the benefit of the brick manufacturers. As a result of the financial crisis and a mix shift towards apartment buildings, which require fewer bricks per unit, through the 2000s, UK brick demand fell from around 3bn in 2000, to little over half of that by 2009. During this period, the industry consolidated from 7-9 major players to the 3 incumbents that today account for 90% of supply: Ibstock (40%), Forterra (28%), and Wienerberger (22%). This level of consolidation means the UK brick market benefits from an oligopolistic industry structure where prices are resilient in a downturn and quick to increase in an inflationary environment. Between 2008-2010, for example, brick prices in the UK were broadly flat as volumes fell nearly 40%.

Domestic capacity was also reduced from 2.6bn in 2007 to 1.8bn by 2013. The UK housing market then recovered through the 2010s and by 2019 UK brick consumption was back to pre-financial crisis levels. Investment in capacity, however, has lagged the recovery such that a growing proportion of UK demand has been met by imported bricks. Around 8% of bricks used in the UK in 2013 were imported, rising to 23%, around 570m bricks, by 2022. Imports are significantly more expensive than domestically sourced bricks and while around 150m are imported for architectural reasons and are therefore unlikely to be substituted by UK bricks, the remaining ~420m should act as a significant buffer to volume declines for domestic producers. There is early evidence this is playing out as consumption of UK-manufactured bricks fell around 30% year-on-year in the first 5 months of 2023, compared to 42% for imports. Going forward, we believe Forterra should be able to take further market share from imported bricks as its new, more cost efficient, factory in Desford increases capacity by around 100m bricks. Ibstock is also expanding capacity by a similar amount across two factories in the UK, however, considering the current volume of imports, we don't feel this will have a negative impact on Forterra's profitability.

The medium-term demand outlook for Forterra is also positive. There is a structural undersupply of affordable housing in the UK and two thirds of Forterra's sales go to building new homes, with the majority of the remainder going to residential repair, maintenance, and improvement projects. The UK government is targeting building 300,000 new homes per year. Whether this target is realistic or not, it is significantly higher than this country has managed in the past, with the average net additional dwellings per year in the five years to 2022 just 230,000 - the highest 5 year average since 2000. While the immediate outlook for housing starts is weak, we believe this is more than reflected in the current share price and we are confident longer-term volumes will return to this level, if not higher. Forterra's customers are large scale house builders and distributors and, therefore, there is a degree of customer concentration with one customer accounting for 11% of sales in 2022, and another, 10%. However, due to the constrained nature of the brick supply in the UK, we are confident that the bargaining power here lies with the brick manufacturers.

Forterra's capital allocation policy includes paying 55% of earnings out as dividends, which we estimate will yield around 4% this year. The majority of the remaining cash the company has generated in the last few years has gone towards a number of refurbishment and expansion projects, most notably the Desford factory. All of these projects will be near completion by the end of 2023 and going forward we expect the company to use its excess cash to modestly reduce its net debt levels which stood at GBP 50m at the mid-year point but will most likely end the year slightly higher than the typical net debt/EBITDA range of 0.5-1x.

The key risks to the investment case are if the housing downturn is longer and deeper than expected and if brick prices do not continue to hold under the pressure of the current sharp demand decline. As we mentioned earlier, during the financial crisis, brick prices were flat amidst collapsing demand and we are confident the oligopolistic structure of the industry means pricing strategies will remain rational across the three major players this time around. With regard to the extent of a housing downturn, we believe the current share price offers us a sufficient margin of safety and comparing today's industry structure and macroeconomic environment to 2008 reassures us a worst-case scenario is unlikely. Of course we cannot predict the length or depth of a housing downturn, but it is clear that the UK does not build enough homes for its population and, therefore, eventually the number of houses being built will rise again. When that happens, Forterra will still be there to meet that demand.

At mid-cycle margins of around 16%, Forterra manages to generate pre-tax returns on capital employed in the mid-high 20s and operates as one of the major players in an industry with very high barriers to entry that is likely to benefit from strong demand tailwinds in the coming years. Based on conservative assumptions of a modest housing market recovery over the next few years, we believe Forterra should be able to generate free cash flow (FCF) in the region of GBP 50-60m per annum as the company returns to mid cycle performance enhanced by the additional volumes the new Desford plant takes from imports. Even if the market demands a 10% FCF yield, that's an implied enterprise value of around GBP 550m and a market capitalisation of GBP 500m, for an EV to net operating profit after tax multiple of 10x and 70% upside from today's valuation.

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	0.9			**11.9**
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**

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