Ennismore Global Equity Fund

Investor Newsletter for the month of November 2023

Issued on 6 December 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 30th November. 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 30 November 2023

	Share Class[1]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[2]	13.93	13.86	14.09	12.27	10.58	10.96
	% Change					
November 23	-0.4	-0.4	0.6	-0.7	-0.7	-0.4
2023 to date	11.5	11.5	15.2	10.7	10.0	11.6
Annualised return[3]	4.7	4.7	4.9	2.9	1.0	1.9
Since launch[3]	39.3	38.6	40.9	22.7	5.8	9.6

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 decreased by 0.4% in November, with the long book adding 5.3% and the short book costing 4.9%. Schibsted and Adevinta both contributed positively, with Permira and Blackstone formalising their offer to take the latter private. Schibsted has agreed to sell 60% of its 28% stake in Adevinta and is rolling the remainder into the (roughly one third debt-funded) transaction which will give it 13.6% ownership. D'Ieteren also performed well after launching a share buyback programme at the start of the month. Likewise, Auto Trader reported solid half year results demonstrating continued pricing power in upgrading its guidance for average revenues per retailer. The detractors mostly came from our short book. Equity markets recovered strongly in November after a few weaker months, driven by a significant loosening of financial conditions. Yields across the curve dropped by 50bps or more in the US as markets anticipate central banks starting to cut interest rates in the next few months.

Top Five Contributors and Detractors for November 2023

Contributors	bps
Schibsted ASA	80
Admiral Group Plc	49
D'Ieteren Group SA	46
US technology company	42
Auto Trader Group Plc	39

Detractors	bps
US technology company	-57
Hong Kong software company	-44
US financial services company	-32
US media company	-29
US consumer goods company	-29

[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 30 November 2023

Company	Country	Sector	% of NAV
Admiral Group Plc	United Kingdom	Financials	5.2
Schibsted ASA	Norway	Communication Services	4.9
D'Ieteren Group SA	Belgium	Consumer Discretionary	4.8
Buzzi Unicem SpA	Italy	Materials	4.3
Moneysupermarket.com Group Plc	United Kingdom	Information Technology	3.3
			22.5

Exposures as at 30 November 2023

Longs%	Shorts%	Gross Exposure%	Net Exposure%
82.4 (74.9)	46.7 (42.6)	129.0 (117.5)	35.7 (32.4)

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 30 November 2023

Country	Gross%	Net%
United States	40.8	-22.6
United Kingdom	31.8	28.7
Japan	9.9	7.4
Norway	7.7	6.6
Germany	7.5	4.8
Italy	5.4	3.3
Sweden	5.2	-1.6
Belgium	4.8	4.8
Hong Kong	1.9	-1.8
Canada	1.7	0.2
Israel	1.7	-0.5
Spain	1.6	1.2
Mexico	1.6	1.6
Switzerland	1.5	-0.1
Bermuda	1.2	1.2
South Korea	1.1	1.1
Austria	1.0	0.2
Other	2.5	1.1

Market Cap	Gross%	Net%
>$10bn	20.7	5.0
$5bn - $10bn	31.3	22.4
$1bn - $5bn	43.8	7.9
<$1bn	33.2	0.3

Positions	Nov	Oct
Long	62	61
Short	96	95
Longs Opened	5	8
Longs Closed	4	6
Shorts Opened	9	15
Shorts Closed	8	12

Sector	Gross%	Net%
Communication Services	15.6	13.6
Consumer Discretionary	20.7	5.2
Consumer Staples	8.0	-0.4
Energy	0.0	0.0
Financials	16.5	11.2
Health Care	5.6	-1.5
Industrials	17.6	-0.9
Information Technology	26.3	0.5
Materials	13.4	7.7
Real Estate	5.3	0.2
Utilities	0.0	0.0
Other	0.1	-0.1

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

Guardian Capital Group Ltd – Canadian investment manager (0.6% NAV)

"Your company has a number of strengths and advantages at this time: the first is our ability to adjust quickly to the changing investment environment through the development of new products and distribution channels. The second is our strong balance sheet that provides comfort to our clients that we are in a very good financial position to take advantage of the opportunities that come along in this uncertain economic environment. This gives us the ability to plan for the longer term." – John Christodoulou, Chairman and Chief Executive Officer of Guardian Capital Group, February 27, 2009.

In 1960, Norman Short launched the Guardian Growth Fund, a standout in Canada's mutual fund landscape for its "free to roam" mandate. Its success led to the establishment of Guardian Management, tasked with overseeing this fund and developing new investment strategies. Over the next six decades, Guardian Management would complete an initial public offering (in 1969), rebrand as Guardian Capital Group and expand from managing a single mutual fund to a diversified investment firm overseeing $56.2bn of third-party assets and $1.4bn of internal capital. With a market capitalization of $1.1bn, Guardian Capital Group ("Guardian" or "Guardian Capital") offers an overlooked and asymmetric investment opportunity: one can buy $1.2bn of internal capital (net of debt) at a 7% discount to book value while getting a $56.2bn AUM investment management business for free.

[1]All figures in Canadian Dollars unless otherwise stated.

Short significantly contributed to the inception of Guardian, but it was John Christodoulou who laid the cornerstone, shaping Guardian into what it stands for today. After graduating in 1962 with an MBA from Queen's University in Kingston, Ontario, Christodoulou initially ventured into academia as a finance professor, but his true calling was investing. After seven years, Christodoulou left his academic position to invest in and improve the operations of public and private companies. He achieved success rapidly, gaining recognition for his conservative investment strategy and remarkable attention to detail.

In the 1970s, Short recruited Christodoulou to help manage Guardian's internal capital and he was appointed to its board of directors in 1981. Christodoulou became Chief Executive Officer after Short's retirement in 1987. He led the company for twenty-four years, growing third-party assets from $1.5bn to $15.9bn while instilling his conservative approach and long-term orientation throughout the organisation. We believe Christodoulou's words from February 2009 are as relevant today as they were during the global financial crisis. The combination of a strong balance sheet and an ability to develop new strategies enables Guardian to act opportunistically and in the long-term best interest of shareholders. The Christodoulou family maintains a significant interest in Guardian Capital as its largest shareholder with a 26% ownership stake and two of Christodoulou's children are board members.

As of September 30, 2023, Guardian's $56.2bn of third-party assets were 44% invested in global equities, 32% in fixed income and 8% in Canadian equities. Guardian earns an average of 39 basis points in fees for managing these assets. Over 72% of revenues are from institutional and family office clients while 65% are from clients outside of Canada, which is unique for a Canadian investment manager. We regard Guardian's third-party asset management segment as a decent business, having generated a 31% return on equity in 2022 and net operating profit after tax ("NOPAT") of $27.6m at a 25% operating margin, despite segment profits being depressed due to planned losses of $12m to develop and scale new investment strategies.

The traditional investment management industry is highly fragmented with numerous firms competing for the same talent and clients. It is relatively easy to switch between managers and plenty of substitutes exist in the form of low-cost index funds, robo-advisors, and discounted trading platforms. Guardian's competitive advantage is its ability to identify, seed and develop strategies with an investment horizon that is much longer than those of traditional investment firms. This patient approach attracts investment talent that would otherwise have to bear the material costs of starting their own firms or partner with capital providers that demand immediate results. Responsible for approximately 54% of segment profits is GuardCap Asset Management Limited, a London-based global equity investment manager that Guardian seeded with $114m in 2014. GuardCap now manages $17bn with a 25-member investment team. Recognizing that the majority of its third-party assets are long-only public equity strategies facing structural pressures, Guardian has started diversifying. Guardian Smart Infrastructure Management, a private infrastructure investment fund, was seeded with $100m this quarter. Guardian is targeting to raise $600-800m in this fund with fees that are materially higher than the fees earned on its public equity strategies.

Guardian's internal capital, worth $1.4bn or $56 per share, experienced a substantial increase of $623m or $24 per share on March 1, 2023, following the sale of Guardian's mutual fund dealing and life insurance business to Desjardins Group at a valuation of 29.5x 2022 operating earnings. Surprisingly, Guardian's stock price only saw a modest increase of $9 on the day of the transaction announcement. Guardian's internal capital is comprised of diverse investments with over 50% in cash and short-term government bonds. With a fortress balance sheet, we believe Guardian is in a strong position to execute on its long-term vision by seeding new investment strategies and returning excess capital to shareholders. On the day after the Desjardins transaction closed, Guardian increased its quarterly dividend by 42% to 34 cents per share, representing a dividend yield of 3%.

Guardian management is a good steward of shareholder capital. It has spent $36m to repurchase 3% of the company this year through the end of September at an average price of just over $42 per share. This continues a tradition of value accretive buybacks: Guardian has reduced its share count by 36% since 2006 with 17% of its stock repurchased at particularly low valuations between 2007 and 2010.

Guardian Capital's book value, as of September 30, 2023, stood at $1.2bn or $47 per share, reflecting a 13.6% compounded annual growth rate since 2013. Trading at $44, the stock is valued at 0.93x book value, representing a discount to its average multiple of 1.1x over the last ten years. The third-party investment management segment, with annualized NOPAT of $32m, could be worth an additional $12-13 per share if valued at 10x NOPAT. This would put Guardian Capital Group's fair value at about $60 per share, suggesting 36% upside.

The asymmetry of this situation is its most attractive feature. If we treat the operating business as worthless, the stock still trades at a discount to its net liquid assets. But if management delivers on its plan for the investment management business, in five years profits will have doubled and be worthy of a higher multiple than the 10x we assume today given the improved diversity and quality of income streams. In this scenario, and assuming a 6% return on internal capital, we see a five year annualised return of 21%.

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	-0.4		**11.5**
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**

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