Ennismore European Smaller Companies Fund

Investor Newsletter for the month of July 2024

Issued on 7 August 2024

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition and registered in Ireland, Germany, Italy, Spain, Sweden and Austria. The Fund size was GBP 295m as at 31st July. Total assets under management by Ennismore Fund Management were GBP 489m. The Fund continues to limit capacity by capping the maximum number of units in issue. There is currently a small amount of capacity available due to the natural rate of investor turnover. If you would like to invest please contact Adam Sullivan on +44 (0) 20 7368 4224 or email subs@ennismorefunds.com. The Fund is managed as an absolute return fund with the objective of generating positive returns irrespective of market conditions rather than performing relative to any benchmark index.

Performance as at 31 July 2024

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	171.09	203.08	28.92	28.94	29.09
	% Change				
July 24	0.2	0.8	0.2	0.7	0.7
2024 to date	3.2	6.1	3.2	5.6	5.6
Annualised return[3]	11.9	11.0	8.2	8.2	8.2
Since launch[3]	1643.2	1342.1	189.2	189.4	190.9

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 cash returns and are prior to expenses.

The Fund's NAV increased by 0.2% in July. The long book contributed 2.1% while the short book cost 1.6%.

The new Chief Executive Officer, Breon Corcoran, of IG Group Holdings Plc gave a positive first presentation, in our opinion, while reporting solid full year results. The stock added 69bps in the month and we are still positive on the company's medium term prospects. GRENKE AG contributed 54bps after reporting very positive preliminary numbers for its second quarter with new leasing business up 21.5% vs last year making its ambitious full year guidance more achievable.

Our short position in a German battery producer contributed 48bps after it proposed a financial restructuring which would lead to current equity holders being written down to zero.

Sto SE & Co KGaA cost the fund 98bps after issuing a profit warning citing continued low levels of new build permits in Germany, a wave of insolvencies among developers and difficult financing paired with uncertainties about regulation and subsidies. We are disappointed by the magnitude and timing of the warning but still confident about the positive long-term outlook and its financial strength with more than one third of its market capitalisation in cash.

Our short in a Swedish intellectual property licensor cost the fund 56bps after reporting quarterly results above market expectations. On our numbers the stock is now trading on around 60 times 2025 earnings. A German online retailer in which we have a short position reported half year results and upgraded full year expectations, while still expecting to remain loss making. The stock cost us 48bps in the month. We are still very cynical about the ability of the firm to be sustainably profitable.

Jet2 Plc reported results above expectations for the year and continued to show confidence in the long term with their fleet expansion plans. Essentra Plc and SThree Plc both reported newsflow in line with expectations.

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

[2]Source: Administrator, Net Asset Value.

[3]Since inception of GBP A share class on 27/01/99 to date, GBP B share class on 19/01/11 to date, EUR A and EUR B share classes on 31/01/11 to date.

Top Five Contributors and Detractors for July 2024

Contributors	bps
IG Group Holdings Plc	69
GRENKE AG	54
German battery producer	48
System1 Group Plc	38
Finnish machinery manufacturer	34

Detractors	bps
STO SE & Co KGaA	-98
Swedish intellectual property licensor	-56
German online retailer	-48
Polish software developer	-36
Amadeus Fire AG	-24

Top Five Long Holdings as at 31 July 2024

Company	Country	Sector	% of NAV
Costain Group Plc	United Kingdom	Industrials	5.5
IG Group Holdings Plc	United Kingdom	Financials	5.5
EVS Broadcast Equipment SA	Belgium	Information Technology	4.5
SThree Plc	United Kingdom	Industrials	3.8
STO SE & Co KGaA	Germany	Materials	3.4
			22.7

Exposures as at 31 July 2024

Longs%	Shorts%	Gross Exposure%	Net Exposure%
91.6 (87.9)	48.4 (46.5)	140.0 (134.3)	43.1 (41.4)

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 31 July 2024

Country	Gross%	Net%
United Kingdom	52.2	37.0
Germany	28.0	14.8
Sweden	11.2	-1.0
United States	8.4	-4.7
Switzerland	8.1	-0.3
France	5.6	2.2
Italy	5.5	0.7
Belgium	4.6	4.6
Poland	3.5	-3.5
Norway	3.3	-1.9
Canada	2.0	-1.9
Jersey	1.9	-1.9
Finland	1.0	-0.4
Portugal	0.9	0.9
Austria	0.9	-0.3
Other	3.0	-1.3

Market Cap	Gross%	Net%
>£2bn	28.2	-1.0
£700m-£2bn	43.6	7.0
£200m-£700m	46.5	20.0
<£200m	21.8	17.2

Positions	Jul	Jun
Long	91	89
Short	83	81
Longs Opened	3	3
Longs Closed	1	2
Shorts Opened	8	8
Shorts Closed	6	4

Sector	Gross%	Net%
Communication Services	7.9	-1.2
Consumer Discretionary	26.1	3.6
Consumer Staples	6.1	-2.8
Energy	0.0	0.0
Financials	14.3	14.3
Health Care	1.9	-0.1
Industrials	40.2	17.2
Information Technology	26.5	0.7
Materials	10.2	7.4
Real Estate	5.7	5.2
Utilities	1.1	-1.1
Other	0.0	0.0

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

Alten SA – French outsourced engineering and technology company (0.7% NAV)

With a market capitalisation of approximately EUR 3.3 billion and 57k employees, French-listed Alten is a leading global player in the circa EUR 175 billion global outsourced engineering and technology sector, primarily operating within Europe. We have been following the company for some time, impressed by its solid business model and management track record. The recent share price decline and derating, triggered by economic uncertainty driving client project delays, has presented us with the opportunity to establish a position in this attractive company. We are convinced Alten will recover from what we believe is a temporary macro-induced slowdown and will return to a healthy, mid-single-digit organic growth next year, and we think at the current share price of around EUR 95 the market is significantly undervaluing the attractive long-term potential of the business.

Alten was established in 1988 and headquartered in France, which is still the company's largest market, accounting for 32% of revenues. It has since expanded its reach to over 30 countries, offering its services to 6,500 customers across a diverse set of industries including aerospace, automotive, telecommunications and energy. No sector accounted for more than 20% of the company's EUR 4.1bn revenues in 2023 and, with the top ten customers representing 25% of sales, we feel the business is well diversified in terms of geographic, sector and client exposure. About 30% of Alten's revenues are generated from IT services, with engineering services accounting for circa 70%. As one of the largest independent global outsourced engineering, research and development players left, and with about 16% of engineers in low-cost countries, Alten can integrate its local resources with high-quality, lower-cost offshore delivery which sub-scale local competitors cannot. In fact, research and development offshoring is becoming increasingly important for clients, driven by cost-optimisation and access to talent, and while some customers prefer, or in some cases have to, use local resources, others are more flexible, so we believe Alten's approach is strategically sound.

We are impressed by Alten's solid business model. The company has generated an average return on capital post tax in the high teens over the past decade, and its engineering business has proven to be very resilient across the economic cycles, with good utilisation rates even during economic downturns thanks to an essentially variable cost base and to the ability of management to adjust the workforce on a weekly basis according to business needs. In fact, even with high single-digit organic revenue decline in 2009 during the great financial crisis, utilisation rates declined to 88-89% in the first half of that year and quickly recovered to a more normal 92.5% in the second half, allowing the business to achieve a very respectable adjusted operating margin of 7.6%, which compares to an average operating margin of circa 9.5% over the past decade.

When it comes to sales growth, Alten has achieved an annual rate of 12% over the past 15 years, with 7% coming organically and about 5% from around ten bolt-on acquisitions each year. After an exceptional 2022, where post-COVID recovery drove an 18% organic sales growth, demand has now softened, with an organic growth excluding currency effects of about 1% for the first six months of 2024. We anticipate this macro-driven slow down to continue in the short term and expect a low single-digit organic growth overall for 2024, in line with the recently downgraded management guidance. In the longer term, the company's growth prospects remain promising, and we see no reason why Alten should not be able to go back to a healthy mid-single-digit organic growth rate. In particular, we see good opportunities in North America, Alten's second-largest market at 12% of revenues, which over the past decade has seen organic revenue growth of around 15% per year and where Alten is still very small with an estimated market share of well below 1%, compared to its 15% share in its home market France. We believe management is well incentivised to drive growth going forward, with Simon Azoulay, the group's 68-year-old CEO, owning 15% of shares outstanding.

A strong balance sheet, with about EUR 300 million of net cash at the end of 2023, combined with good and consistent cash generation allow Alten to support a 1.5% dividend yield whilst facilitating a disciplined bolt-on acquisition strategy, such as the two small deals executed in the first half of this year in Asia and Poland, while a third, bigger deal, for the French Worldgrid is still subject to regulatory approvals. Alten aims to acquire companies with 200 to 1,000 engineers for around 8 times operating profit, and we believe that over the past decade management has realised this ambition, with an estimated average multiple of 8 to 9 times operating profit across the circa 80 acquisitions completed. We believe there remains significant opportunity to consolidate this fragmented market and we are convinced Alten can continue with its bolt-on acquisition strategy as the industry is clearly undergoing a phase of consolidation, with both smaller and larger players being targeted. In fact, two relevant examples are the acquisition in 2019 of Altran, Alten's closest French peer with around 50k employees at that time, by Capgemini for an enterprise value multiple of approximately 18 times its trailing adjusted operating profit after tax, and the 2022 acquisition of AKKA, another French peer, by Adecco for a multiple of around 25 times.

We are convinced that the current valuation of around 11 times our 2025 enterprise value to operating profit after tax fails to reflect the many qualities of Alten's business. We are confident that the market will recognise that over the coming months as growth picks up again, whilst we cannot exclude the possibility of Alten becoming an acquisition target itself should the shares remain this cheap. We believe a solid, cash generative, resilient business with a strong track record like Alten's should be valued at 15 times enterprise value to operating profits after tax, which suggests an upside of more than 40% to the end of 2025.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2024	1.9	-2.4	1.2	2.1	-0.7	0.9	0.2						**3.2**
2023	-2.8	-0.1	-0.4	2.9	-3.0	-2.6	-1.6	3.1	3.0	1.1	1.1	1.7	**2.1**
2022	1.1	-2.6	0.2	1.4	-0.9	0.7	-3.1	1.9	-1.2	2.2	3.0	1.0	**3.7**
2021	-5.2	1.7	4.5	4.7	3.4	1.0	2.8	0.7	-0.1	-1.8	1.8	1.5	**15.8**
2020	-2.4	-2.8	-5.7	-0.8	-1.6	4.0	-3.8	-2.5	0.8	-3.1	9.6	4.5	**-4.8**
2019	1.4	-0.2	1.5	0.7	2.2	-0.7	0.6	0.6	0.6	0.2	-1.4	1.2	**6.9**
2018	-2.0	-0.8	0.0	0.7	0.9	2.0	0.3	1.1	0.3	-1.0	2.3	0.2	**4.0**
2017	1.2	-0.2	0.9	1.0	2.2	-0.6	2.7	1.5	-1.2	-1.2	0.4	2.6	**9.6**
2016	2.2	2.8	0.9	0.4	-1.2	2.3	1.3	2.3	1.6	1.9	-2.7	1.9	**14.5**
2015	-0.7	-3.1	0.0	2.2	2.2	0.8	1.9	0.8	0.5	0.5	0.7	3.8	**9.7**
2014	1.1	0.5	2.9	1.5	-1.4	-2.0	0.2	1.1	-0.2	0.8	2.0	-0.2	**6.4**
2013	6.5	2.7	1.5	-0.9	1.8	-0.9	2.8	1.2	1.6	4.2	1.2	2.3	**26.6**
2012	0.5	2.8	0.0	-1.4	-1.9	1.6	-2.0	2.5	-0.1	2.9	2.6	0.7	**8.4**
2011	2.9	0.5	5.3	0.5	-0.2	4.4	-0.7	-0.2	-0.2	2.9	-4.0	-1.4	**9.8**
2010	0.9	3.0	2.0	1.0	-1.6	-0.3	2.4	-1.5	3.4	2.3	-0.4	6.0	**18.4**
2009	-3.7	-1.6	-2.1	-6.5	4.0	-2.5	0.3	4.5	7.0	-1.1	2.0	-0.9	**-1.6**
2008	-1.4	3.4	0.1	1.8	-0.5	-2.9	-0.2	1.5	-8.5	-7.6	2.1	7.5	**-5.7**
2007	-2.2	1.3	2.4	2.9	0.5	1.5	0.5	-1.5	1.4	-0.3	-0.9	3.4	**9.1**
2006	4.0	2.3	4.8	4.2	-3.9	-4.0	-0.7	-1.4	-0.8	1.4	1.0	1.7	**8.4**
2005	3.2	4.2	0.4	-2.4	2.1	4.7	6.6	3.2	3.3	-5.2	2.5	4.9	**30.4**
2004	2.8	2.7	-0.5	2.1	-1.5	4.6	-0.9	1.5	1.7	1.9	2.8	4.4	**23.5**
2003	-1.5	2.8	1.4	4.9	4.7	0.0	3.3	1.5	2.2	0.9	2.1	3.8	**29.3**
2002	1.3	2.2	3.2	1.5	2.7	-1.0	-5.3	0.6	-4.1	3.3	2.5	-0.5	**6.2**
2001	2.4	0.7	-7.8	2.2	1.4	-0.7	0.4	1.8	-4.6	0.9	2.7	2.8	**1.5**
2000	11.8	20.7	-0.3	-4.6	2.5	1.8	1.0	0.1	-2.5	-3.0	2.6	3.2	**35.7**
1999	-0.3	1.0	0.8	6.6	1.4	3.3	4.6	1.4	-1.8	2.6	8.6	13.4	**49.0**

Risk Warning

This document is issued by Ennismore Fund Management Limited ("Ennismore") which is authorised and regulated by the Financial Conduct Authority.

This document is confidential and is intended solely for the information of the recipient. This information should not be reproduced or disseminated in any form without the prior written permission of Ennismore Fund Management Limited. Please refer to the relevant prospectus, supplement 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 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.

Under normal circumstances, as defined within the Prospectus, the Fund may charge up to 3% of the net asset value of any redemption to cover the costs associated with managing the redemption process, including the sale of assets within the Fund to generate the required cash. Currently this redemption charge is set at 2%.

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. Nor does it provide any form of advice amounting to investment advice or make any recommendations regarding financial instruments or investment products. Use of this document is no substitute for obtaining proper investment advice from an authorised investment professional.

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 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. 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 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.
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