Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2024

Issued on 10th January 2025

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 241m as at 31st December. Total assets under management by Ennismore Fund Management were GBP 428m. 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 Margaret Webb on +44 (0) 20 7368 4250 or email clients@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 31st December 2024

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	155.08	187.56	26.20	26.87	27.01
	% Change				
December 24	-1.4	-0.9	-1.4	-0.9	-0.9
2024	-6.5	-2.0	-6.5	-2.0	-2.0
Annualised return[3]	11.2	10.5	7.1	7.4	7.4
Since launch[3]	1480.1	1231.8	162.0	168.7	170.1
Note: All performance figures net of fees. **Past performance is not a guide to future returns.**					

Comments below on performance attribution refer to GBP NAV per share unless otherwise stated, exclude cash returns and are prior to expenses.

The Fund lost 1.4% in December with the long book costing 13bps and the short book costing 111bps.

Our short positions in a UK technology hardware company and a German online retailer cost the Fund 70bps and 63bps respectively. There was no news on either to explain their share price increases.

More disappointingly the largest mover on the long book was SThree Plc costing us 71bps after it issued an unexpected, in magnitude especially, profit warning for the next fiscal year. We were not surprised that they would reduce expectations but thought that there would be more efficiency savings to cushion the revenue reduction. We are still positive on the stock given its low valuation at close to the trough in the cycle.

With this being the final newsletter for 2024 we have decided to review the prior year. Sadly, we are starting the new year with a “must do better” report. It has been a tough year for the fund being down 6.5%. The long book cost the fund 4.4% over the year, while the short book also cost the fund 0.4% over the year. Unfortunately, a rare year where the spread of our grossed up long book did worse than our grossed up short book. As always, the fund’s differentiated asset profile showed low correlation to the market.

Performance turned down from September, perhaps due to the realisation in the market that inflation stickiness meaning slower interest rate declines, as well as a deteriorating European economic situation led to expectations that 2025 may well not be a better environment for earnings. This drove the move away from the smaller end of our universe as investors moved to more liquid areas of the market. As our long book is typically more focussed on smaller market capitalised stocks than our short book (weighted average market cap long book GBP 1.1bn, short book GBP 5.3bn), this provided a top-down headwind in Q4. Our net long exposure to Germany also stymied the fund in the year amidst a domestically weakening economic and uncertain political backdrop. Also, towards the end of the year we did see signs of market

[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.

bifurcation with some share prices in the technology sector extremely hard to justify, which hurt our short book performance.

But the above is not to make excuses with most of the performance down to single stock drivers. There were mistakes on both sides of the book, sometimes leading to some crystallisation of loss, although we believe much of the underperformance has been temporary and we see strong future performance in both sides of our book going forward, which we will discuss more later.

One mistake was not taking profits in SoftwareOne Ag after the original board had rebuffed indicative offers from Bain Capital back in 2023. We incorrectly thought that potential suitors would return in 2024 with a higher bid closer to our fair value. The saying "a bird in the hand" comes to mind now. In October expectations were reduced for many reasons but were mainly self-inflicted, the result of a poor implementation of the new go-to-market model. We believe that these issues are fixable with time and that SoftwareOne remains a good, undervalued asset that offers significant upside over the medium term. The position cost the fund 125bps.

Another significant negative contributor with a 100bp hit was Secure Trust Bank although the cause was quite exceptional. The stock was hit by a legal judgement referred to in the October newsletter whereby the whole regulatory framework for lending processes via car dealerships in the UK vehicle finance industry was implicitly deemed to be illegal. Even in the harshest outcome we still see significant return on our position from here.

Although frustrating, 2024 was one of very few years where the fund has not adhered to the two rules of investing: Rule No.1 don't lose money and rule No.2 don't forget rule No.1. However, we are firmly of the belief that an investment in the fund will give strong rewards in the future. We still have the same business model and a team managing the fund who have been with Ennismore for over 18 years on average. A period that covers many different market conditions. We believe that the key is to stick to our principles and investment process, as detailed in our original factsheet from 1998 – extract here. The full factsheet is available on the website.

We want to reiterate why we like the smaller companies space. This is laid out very clearly again in the original factsheet – again see extract here. The attractions of the asset class are as strong today as they have ever been. Possibly even stronger. Firstly, the enormous choice to go and search out the companies that are significantly mispriced, either being over or under valued. These mispricings are more prevalent due to less independent broker research as they focus on larger companies where there is more revenue potential as well as prioritising initial market. Many buyside firms are happy to asset gather so smallcap funds end up having to move up the market cap tiers as the fund grows. Smaller companies are often on the periphery of these larger funds and therefore can lead to less discipline on exiting positions due to their insignificant weighting. All these factors increase the chances of truly mispriced situations where they offer both high return and low risk.

As mentioned, we have always historically had a net long bias to the smaller end of the market cap range. Our net exposure, at year end in sub-GBP 250m market capitalised companies is around 25%. Over the last 3 years microcaps in Europe have underperformed European equities by almost 33%.

We are not convinced that this recent trend will change due to the heightened risk environment we see globally, both economically and politically, and as mentioned previously this is not the raison d'etre for the fund investing in this area. Coming from a position of a larger valuation discount is helpful for microcaps at least and there is now more likelihood of private equity and corporate activity in general in 2025 as interest rates are likely to continue to drift down in Europe. We also think some regulatory changes with regards to the way trading commissions are paid, as MIFID 2 regulations in Europe look to be relaxed, may stimulate interest in the space from a low base.

Although 2024 has been a poor year with regard to the long book, we still have strong conviction in it. Every year, at year end, going forward we will outline our top 10 positions by size rather than give one stock comment as we usually do each month. We also conclude with some key valuation metrics on the top 10 which reinforces our view of the low valuations and good quality of these businesses, underappreciated by the market.

Costain Group Plc – UK engineering and construction company (7.9% NAV)

Costain Group Plc is a GBP 288m market capitalised UK construction company focussed on infrastructure and regulated sectors, especially in the Transportation segment i.e. mainly road and rail (71% of 2023 revenue) with the remainder in the Natural Resources segment; water, energy, and defence. The increasing capex requirements for the water industry to upgrade their Victorian era infrastructure should be a key tailwind going forward, as well as work linked to carbon capture projects in the longer term. The decision to finish the HS2 project in Euston rather than Old Oak Common is also helpful. They don't have any fixed price work and lean to open book framework contracts, which should lead to stable margins overall. They target over 5% medium term operating margin, helped by higher margin consultancy and engineering work and we think these targets are attainable. Their margin is also assisted by exposure to "green" areas such as the multi-GBP billion carbon capture and storage project recently confirmed where they tend to be on the consultancy and project management side rather than contract delivery.

We see operating profit of around GBP 48m this year, growing by over 10% and with sector leading margins. They are currently buying back stock which we see as sustainable and alongside the dividend leads to return to shareholders of around 5 percent a year, but we think these could easily step up. We expect around net cash of GBP 150m adjusted for the negative working capital on the balance sheet. Placing a multiple of 8 times operating profit post tax plus adjusted cash gives upside of over 45% to 160p to the end of 2025.

IG Group Plc – UK specialist financial company (5.4% NAV)

IG Group Plc, a GBP 3.5bn market capitalised UK company, offers trading in various financial derivatives to retail traders globally. This highly profitable company has grown to almost 240,000 customers and generated net trading revenue of GBP 845m and net income of circa GBP 350m, which we expect to increase by around 10% this year. IG provides trading for contract for difference (CFD), spread betting and other typically leveraged financial instruments. They are the largest globally in CFDs and are geographically diverse with the UK being the largest area at 33% of net trading revenue. Historically, IG Group has been growing steadily with around five percent profit growth per year for the ten years up to May 2019. The company had a step up in its business, with Covid-19 and work from home changes leading to an increased customer base, they have grown earnings at a circa 9% annual rate in the last 10 years. One of the strengths of IG is that, unlike some peers, their profitability has no direct connection to how well their clients do in their trading as IG hedges all positions either naturally via other clients taking the opposite side of the trade, which is ideal, or through hedging the position themselves via the market. Obviously the larger a company's trading volume the more natural hedging occurs and therefore their large scale facilitates this business model, making this another potential barrier to entry.

The previous management bought Tastytrade, a US options trading platform in mid-2021 for a very full price in our view of USD 1bn, which hung over the share. However, now that part of the business does seem to be offering stronger growth and potential to grow globally long term. Crucially there has also been a change at the Chief Executive Officer (CEO) level with highly rated, ex-Paddy Power Plc CEO, Breon Corcoran taking over. The CFO has also been replaced. We expect the new CEO to make the company more agile and do a better job of maximising IG's potential by returning to more local decision making.

IG is a highly profitable, solid growing business with good returns of 20% return on equity, even allowing for the high price paid for their Tastytrade acquisition and a strongly capitalised balance sheet which allows them to fully return earnings via dividends and share buybacks. Valuing the business on around 13 times operating profit after tax with some benefit for excess capital gives upside of 35% to May 2026.

EVS Broadcast Equipment SA – Belgian broadcast equipment manufacturer (5.2% NAV)

EVS Broadcast Equipment SA, a EUR 435m market cap Belgian company, produces specialist integrated hardware and software products for TV content production. The global customer base are both the broadcasters and the providers, who are often contracted by content owners. Their heritage and indeed still their main products are specialist servers to enable live editing of content as it is produced. The company regularly upgrades its server technology ensuring no ongoing price pressure and spurring on demand. More recently, it has started to offer a full solution of both hardware and software for live productions, which gives a step up in their addressable market via full solutions plus other innovations. One such innovation is the use of technology using AI to create super slow-motion output for sports even without the specialist cameras normally required. This, and the fact they are taking share from some major competitors who have stopped focussing on this niche, has led to increasing revenue momentum in 2024 and we expect growth of around 15% and operating profits of EUR 46m with an operating margin of 23% and Return on Capital post-tax of around 25%. Valuing the company on 15 times 2025 operating profit after tax and adding an expected cash balance of EUR 75m leads to a total return including dividends of 64% to the end of 2025.

SThree Plc – UK recruitment consultant (3.5% NAV)

SThree Plc, a GBP 390m market capitalised UK company, is a recruiter focussing on the science, technology, engineering and mathematics (STEM) market, an area with long term structural growth which should support SThree's growth path in the future. As of 2023, their three biggest geographical exposures were DACH (Germany, Austria and Switzerland), USA and Netherlands at 78% of Net Fee Income (NFI), with the remainder biased to the rest of Europe. Under new leadership we believe long term investment and strategic changes are being made which will lead to more profitable business in the medium term. It was however very disappointing to see a big reduction in estimates for this fiscal year given the stronger visibility in contracting books. The rebasing in profits was due to an elongated weak environment for recruiters as employment stays high but people and companies becoming more risk averse in job decisions. The profit downgrade was amplified by a proactive decision to not cut fee earners so they are able to gain fully when the market does turn which we would support. Thankfully the company still has a very strong balance sheet and by summer 2025 their new tech platform rollout should be completed. The stock market is now giving little credit to SThree trading on circa 10 times forward enterprise value to operating profit after tax at the bottom of the cycle.

In the past SThree, founded in 1986, was more a federation of entrepreneurial entities. The downside, we believe, was difficulty in creating consistency in corporate standards and culture leading to unpredictable results. Under CEO Timo Lehne, in position since 2022, we feel this is being addressed. They are now well into their journey of having best practice across their business and would expect this to be completed by mid-2025. Importantly SThree focusses on the contracting part of the job market with placements typically covering much longer periods than the "temping" market. This is still a more resilient segment of the job market but still giving exposure to structurally long-term growth in the STEM area.

In the last year to Nov 2023 the business generated GBP 419m of NFI with operating profit of around GBP 77m adjusted for lease interest. There has been a slowdown in demand especially for new placements in fiscal year 2024, although extended existing placements have helped, so we expect the topline to fall by 10% and profits by around 15%. However, as mentioned, this fiscal year is going to be a tougher year as the top line will continue to weaken due to the slow new contract market while most cost levers have now been pulled giving high operating leverage on the reduced fee income. Longer term the company targets over 20% conversion of NFI to profits as the full benefit of the internal improvements the company is making, although this clearly needs an improvement in the market. This alone would increase profits by around 65% in the coming years.

We expect over GBP 90m of net cash by end of this year and putting on 13 times operating profit after tax gives upside of around 25% to November 2025.

STO SE & Co KGaA – German building materials manufacturer (3.3% NAV)

STO SE & Co KGaA is a manufacturer and direct distributor of thermal insulation systems, paints and renders with a market capitalisation of EUR 700m, revenues of EUR 1.7bn and operating profit of EUR 126m as of 2023. The company is a leader for its insulation systems across many of its core markets in Europe and profits from a resilient business model, high returns on capital, positive structural trends and a very solid balance sheet. It has always been profitable and proved extremely resilient in many circumstances.

In 2024, Sto was caught in a difficult situation, with higher financing costs for customers, a declining new build market, complex and irritating subsidy schemes for renovations and very bad weather impacting its business. These triggered a severe profit warning in July and a second one in November. Initially management expected a stable development vs 2023 but is now guiding for revenues moderately down and declining operating profits of EUR 59m at midpoint. The severe decline in profits can be partly explained given expected impairments and its reluctance to strongly adjust its cost base given the very positive mid-term outlook of its business. We expect markets to improve gradually, and we see the first signs of this by a stabilisation of residential prices together with lower financing costs but also renovations picking up. Even considering depressed earnings Sto is currently cheaply valued at below ten times net operating profits after tax. The company's balance sheet is very solid with no interest-bearing liabilities and net cash as of year-end at around EUR 320m. We expect this cash to be returned if there is no suitable acquisition in the future, as happened back in 2015.

On normalized earnings the shares are extremely cheap, only trading on five times net operating profits after tax and we see as having very strong upside when profits start to improve. Based on our estimate of net operating profit after tax of EUR 58m and a fair multiple of 14 times we expect 60% upside to the end of this year.

Vossloh AG – German rail infrastructure manufacturer (3.1% NAV)

Vossloh AG is the world market leader for rail infrastructure components based in Werdohl, Germany with a market cap of EUR 830m, generating revenues of around EUR 1.2bn with an underlying operating profit of EUR 98.5m as of 2023. Over the last ten years the company has strongly focussed on its core competencies, supplying products and services for the rail track, and divesting noncore and underperforming businesses. Today, Vossloh is the world market leader in fastening systems, number two in switch systems, and a uniquely positioned provider for life cycle solutions maintaining rails and switches. The company is about to acquire the leading European concrete tie manufacturer and would become the global leader with market leading positions in North America and Australia. This transformation was accomplished through the impact Heinz Hermann Thiele had when he took over control from the founding families shareholders in 2013 triggering a significant restructuring process with the ultimate goal to create the "Knorr-Bremse" of rail track infrastructure.

Having accomplished this, we think Vossloh is just at the beginning of a very successful path and with its current valuation of more than 20% discount to peers and its own 5 year average, it trades at a modest 10 times our estimate of this year's operating profit of around EUR 125m excluding the acquisition. We include hybrid capital in our enterprise value calculation and its interest-bearing debt totalling around EUR 330m. We expect that the stock will re-rate towards its historic multiples and gradually build a premium. We believe this due to the strong tailwinds in its industry after a long period of under-investment, with the appeal of rail given its very low CO2 footprint and the trend towards more system solution-oriented services where Vossloh is already strongly positioned today.

With the announcement last year to acquire Sateba Group for EUR 450m and its intention to partly finance this by a 10% capital increase, the shares had suffered from a stock overhang. Given the dominant position of Vossloh in fastening systems across Europe and the leading position of Sateba in concrete ties, which enables the combined group to sell products as a system, the regulatory approval is only expected by spring this year. The acquisition will be accretive and we expect a combined entity will generate revenues above EUR 1.6bn and an underlying operating profit of around EUR 165m.

The capital markets day at last years' Innotrans fair confirmed the 2024 guidance and gave a long-term outlook for 2030 to achieve revenues above EUR 2bn and an operating profit margin exceeding 10%. We think these goals are rather conservative and expect Vossloh to clearly exceed these together with improved cash generation given normalized investment needs and pretax returns on capital to average mid-teens. We think with good results continuing shares will re-rate towards historic multiples and see upside of 30% to the end of this year.

Ultimate Products Plc – UK branded products manufacturer (2.9% NAV)

Ultimate Products Plc, a GBP 100m market cap business, owns a portfolio of brands which sell a range of household items sold into various specialist retail and supermarket chains and online stores across Europe, although UK is the majority at almost 70% of first half sales. It has a wide geographical exposure with particularly high potential to grow in continental Europe as its own customers grow, as well as adding new chains. This should lead to solid structural growth across the business over the medium term. The company is relatively asset light with the manufacturing outsourced. The main brands they own, Salter and Beldray, with Russell Hobbs licensed in, add up to around 90% of sales.

The company focuses on the "value for money" end of the market, often seeing product trends and then producing better value equivalents. Key reasons for their success are their agility and having the internal resources to design and liaise with external manufacturers as well as investing through the cycle. To this end they have people on the ground in Asia, focussed on ensuring that the time to market of any new product is as quick as possible. Ultimate have shown their execution capabilities in this throughout the Covid-disrupted period as well as handling the following difficult situation when the freight market became extremely tight. Their strong performance in this respect has enhanced the company's position considerably with their customer base, especially within the supermarkets segment (29% of sales) where we believe they've taken market share. Their other main channel is still the discount retailers (29% of sales), often having exposure to retail chains which are continuing to grow their store estate. Online accounts for around 25% of sales but we expect this could increase further going forward in line with structural trends. With respect to product split the largest product areas are Housewares including weighing scales and Small Domestic Appliances (both over 30% of sales), along with Laundry and Audio (both over 10%).

Management are well aligned with shareholders. The founder and Chief Commercial Officer Simon Showman and CEO Andrew Gossage, together, own around 30% of the company aligning long term interests.

Overall, the last fiscal year was tough for Ultimate with operating profits falling 8% to around GBP 16m with a margin of circa 10%, not helped by a tough consumer environment along with the hangover from destocking at some customers, especially in Germany. However, this year to July 2025 we expect the work they have done to strengthen their relationship with key accounts to pay dividends and revenue and profits to grow again, with a strong second half expected. Putting the company on a miserly 10.5 times operating profit after tax for the Financial Year to July 2026 gives upside of around 45%.

Moltiply Group SpA – Italian price comparison and business process outsourcing company (2.4% NAV)

Moltiply Group SpA is the leading price comparison website provider across Europe and a leading player in business process outsourcing for the financial service industry in Italy with a market cap of EUR 1.3bn. Recently the group has changed its name from Gruppo Mutuionline to Moltiply as the business is much broader than the initial starting entity "mutuionline.it" offering price comparisons for Italian mortgages. Having grown from scratch in 2000 to above EUR 400m today and without issuing new shares since its public listing in 2007, Moltiply has been growing very profitably over more than two decades. The company is still run and controlled by the two founders and we expect the business to thrive under their stewardship for many years to come. The business is far less dependent on the mortgage market in Italy compared to 2012 when the European government debt crisis hit Italy severely but it has nevertheless been impacted in that vertical both in the broking/price comparison and the BPO business. Looking at the headline numbers this is not obvious given profits have been stable in 2023 vs the previous year but this has been achieved through acquisitions.

The Italian mortgage market declined by around 30% in 2023 and began to improve in the third quarter of 2024, later than we had expected. With mortgage rates coming down and an affordable property market we expect the market to continue improving this year. The group has stepped up the pace of acquisitions over the last two years and this can also be seen by the increased leverage with net debt adjusted for shares held for investment at EUR 210m. At two times current earnings before interest, tax, depreciation and amortisation we are not concerned, as the company has proved in the past that it can quickly pay back debt given its good cash generation. For 2024 we estimate revenues increasing to EUR 430m and operating profit adjusting for amortisation of purchase price allocation to be slightly up at around EUR 97m. We expect increasing margins the following year given a recovery of the high margin mortgage broking business. Therefore, we forecast underlying operating profit increases to EUR 110m with revenues approaching EUR 480m. Current operating margins are also impacted by the less mature international markets but we expect these to improve gradually as those businesses progress. Based on our forecast of this year's results the shares trade slightly below 18 times underlying net operating profits after tax which we find attractive. Given its upside to return to its historic margin profile and continued strong growth we think a multiple of 22 times is fair and see upside of more than 25% by end of this year.

Amadeus Fire AG – German personnel services and professional training provider (2.3% NAV)

Amadeus Fire AG is a EUR 420m market capitalised leading personnel services (circa 60% of revenues) and professional training (circa 40% of revenues) company based in Germany specialising in white collar jobs across accounting, finance, office and information technology (IT). Thanks to the focus on the commercial and IT market niches, which represent about 14% of the total staffing market, Amadeus Fire benefits from better trends and economics than many of its peers. The company has an almost 40-year track record and operates from 22 locations in Germany, providing services to a well diversified client base with the largest customer only representing 1.4% of revenues and no industry accounting for more than 10%. We think the training segment, which was scaled up in the past 5 years with acquisitions, is a strong complementary business to the more cyclical personnel segment. In fact, Amadeus Fire provides vocational training to corporate and private customers (25% of training revenues), while the remaining 75% is generated with public funded training, which tends to be countercyclical by nature.

The share price has declined significantly in 2024, now down more than 60% from the levels seen in 2021 when we didn't own the stock. The key driver of this brutal derating has been the weakness of the German economy which, together with a negative corporate business outlook and hesitancy to recruit new staff, has impacted Amadeus Fire's personnel services business, while the training segment has continued to perform well. We believe in this tough staffing environment Amadeus Fire continues to win market share, and we are convinced the German structural shortage of qualified labour will persist. We expect the company to generate around EUR 460m in revenues in 2025, with an operating margin of around 14%. We forecast an approximately neutral net cash balance at the end of 2024, and solid cash generation over the next 12 months. Putting the business on a conservative 14 times enterprise value to 2025 operating profits after tax suggests circa 50% upside, and it wouldn't surprise us if the company was to become an acquisition target given the currently depressed valuations.

Academedia AB – Swedish independent school operator (2.2% NAV)

AcadeMedia AB is a SEK 6.8bn market capitalised leading provider of independent education in Northern Europe. It operates in the pre-school, compulsory, and the upper secondary sector and is also active in the counter cyclical adult education business generating total revenues of SEK 17.3bn as of its fiscal year ending June 2024. Revenues were up 11.5% with better growth of 17.4% in its underlying operating profit of SEK 1.08bn. The company is very cash generative, grows consistently in the mid to high single digits and over the last decade averaged pre-tax returns on our calculation of invested capital of 16%. This is adjusted for lease liabilities and goodwill that has been taken on through the acquisition by EQT in 2010. If we adjust for all acquired intangibles the returns exceed 100%.

Although shares were up more than 30% last year Academedia continues to trade at very cheap multiples. We believe the reason for its depressed share price is perceived political and legal risk in Sweden. With the centre-right governing coalition having started an investigation that should lead to new school reforms expected to conclude by 2025, we believe a final new long-term framework will put an end to the ongoing political debate and be beneficial for Academedia. Trading on a current free cash flow yield of around 16% for the current fiscal year, excluding expansion investments, we find the risk reward very appealing. The company has a positive outlook, given voucher values have started to move up with inflation, increasing student numbers as of the first quarter of its fiscal year (up 8.5%) and the adult education segment improving strongly given its counter cyclical exposure, we think Academedia will continue to show better business momentum. Therefore, we continue to see significant upside for the shares and think Academedia should trade at least on 11 times enterprise value, excluding leasing liabilities, operating profit after tax, which would translate to 45% upside. Recent efforts to improve capital allocation through last year's implemented recurring tender offers for shares has further improved investor sentiment. We also think longer term the shares should re-rate even further given its increasing exposure to a broad international education business currently at 40% of revenue and expected to hit 50% in the mid-term. With the continued growth abroad, we think the perceived political and legal risk in Sweden will fade allowing for a much higher valuation.

	Calendar Year 2025			
	Post-tax ROIC*	EV/NOPAT#	Upside	Portfolio Weight %
Costain Plc	54%	4.0	45%	7.9
IG Group Plc	21%	8.8	28%	5.4
EVS Broadcasting SA	25%	9.7	64%	5.2
SThree Plc	21%	10.0	28%	3.5
Sto Ag - Preferred	9%	6.5	60%	3.3
Vossloh Ag	8%	13.5	30%	3.1
Ultimate Products Plc	19%	8.1	31%	2.9
Moltiply Group SpA	58%	18	25%	2.4
Amadeus Fire Ag	18%	7.5	50%	2.3
Academedia AB	15%	8.0	45%	2.2
			Total	38.3
Weighted	28%	8.6	41.6%	

*ROIC=Return on Invested Capital

#EV/NOPAT=Enterprise Value to Net Operating Profit After Tax

Looking at our short book the companies have a very different profile. Excluding one loss making stock, we forecast the top 10 positions have weighted post-tax return on invested capital of 13% while they trade on an enterprise value to net operating profit after tax of over 45 times for 2025.

We are confident we will return to the long book outperforming the short book in 2025 leading to strong absolute returns.

Top Five Contributors and Detractors for December 2024

Contributors	bps
German IT service company	49
UK semiconductor company	47
EVS Broadcast Equipment SA	40
Somero Enterprises Inc	32
Academedia AB	27

Detractors	bps
SThree Plc	-71
UK technology hardware company	-70
German online retailer	-63
French technology company	-45
Novem Group SA	-29

Top Five Long Holdings as at 31st December 2024

Company	Country	Sector	% of NAV
Costain Group Plc	United Kingdom	Industrials	7.9
IG Group Holdings Plc	United Kingdom	Financials	5.4
EVS Broadcast Equipment SA	Belgium	Information Technology	5.2
SThree Plc	United Kingdom	Industrials	3.5
STO SE & Co KGaA	Germany	Materials	3.3
			25.3

Exposures as at 31st December 2024

Longs%	Shorts%	Gross Exposure%	Net Exposure%
90.7 (94.3)	60.7 (59.6)	151.5 (153.8)	30.0 (34.7)

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 31st December 2024

Country	Gross%	Net%
United Kingdom	56.0	24.6
Germany	32.5	10.0
Sweden	12.0	-0.6
United States	10.8	-7.4
France	9.1	4.4
Italy	5.4	1.0
Belgium	5.3	5.3
Switzerland	4.5	-2.6
Norway	2.7	-0.6
Poland	2.7	-2.7
Luxembourg	1.9	0.8
Hong Kong	1.8	-1.3
Finland	1.3	-0.6
Portugal	1.0	1.0
Austria	1.0	-0.1
Other	3.5	-1.2

Market Cap	Gross%	Net%
>£5bn	10.0	-4.7
£1bn-£5bn	40.5	1.1
£250m-£1bn	68.5	8.5
<£250m	32.4	25.1

Positions	Dec	Nov
Long	86	88
Short	78	84
Longs Opened	1	0
Longs Closed	3	4
Shorts Opened	1	7
Shorts Closed	7	9

Sector	Gross%	Net%
Communication Services	8.5	2.3
Consumer Discretionary	33.7	-2.2
Consumer Staples	7.8	-3.6
Energy	0.0	0.0
Financials	12.0	11.0
Health Care	2.4	1.4
Industrials	43.8	13.8
Information Technology	26.3	-3.9
Materials	9.3	8.7
Real Estate	6.1	4.0
Utilities	1.5	-1.5
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.

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	0.7	-3.6	-1.5	-3.8	-1.4	**-6.5**
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**

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