Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2025

Issued on 7th February 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 231m as at 31st January. Total assets under management by Ennismore Fund Management were GBP 419m. 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 January 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	152.44	182.20	25.75	26.10	26.23
	% Change				
January 25	-1.7	-2.9	-1.7	-2.9	-2.9
2025 to Date	-1.7	-2.9	-1.7	-2.9	-2.9
Annualised return[3]	11.1	10.3	7.0	7.1	7.1
Since launch[3]	1453.2	1193.8	157.5	161.0	162.3
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 1.7% in January with the long book contributing 109 bps and the short book costing 283 bps.

Large negative contributors on the short book included a position in a German defence company which cost us 89 bps. The only news was an inline preliminary results statement, and we continue to view the business as over earning whilst trading on aggressive multiples. Another short position in a semiconductor technology company cost us 75 bps. We remain highly sceptical of their cash generation capacity, and await their full results with anticipation following the trading update during the month. A short position in a German online retailer also cost the fund 73 bps on no news, and a further short position in a UK hardware technology company cost the fund 59 bps. The company reported weak 2024 figures leading to downgrades for both 2024 and 2025. We are confident the current erroneous association with artificial intelligence has caused their valuation to become dislocated from reality. Finally, on the long book, our position in Costain Plc cost the fund 84 bps. However, the company reported a strong trading update, with the stock currently sitting on approximately 3 times enterprise value to operating profit after tax.

Positive contributors included 68 bps from a short position in a UK consultancy and engineering business. The company profit warned, significantly lowering expectations, and we have now covered the position.

Other news-flow in the month saw IG Group Plc report a strong first half, while 4Imprint Plc once again demonstrated its quality by reporting peak operating margins in a challenging US market for promotional goods.

[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 January 2025

Contributors	bps
UK consultancy and engineering company	68
Swedish software company	45
4Imprint Group Plc	39
Vossloh AG	37
UK online retailer	34

Detractors	bps
German defence company	-89
Costain Group Plc	-84
UK semiconductor technology company	-75
German online retailer	-73
UK technology hardware company	-59

Top Five Long Holdings as at 31st January 2025

Company	Country	Sector	% of NAV
Costain Group Plc	United Kingdom	Industrials	7.3
EVS Broadcast Equipment SA	Belgium	Information Technology	4.8
IG Group Holdings Plc	United Kingdom	Financials	4.3
STO SE & Co KGaA	Germany	Materials	3.7
Vossloh AG	Germany	Industrials	3.6
			23.8

Exposures as at 31st January 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
92.5 (90.7)	58.6 (60.7)	151.0 (151.5)	33.9 (30.0)

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 January 2025

Country	Gross%	Net%
United Kingdom	49.8	23.7
Germany	36.0	11.3
Sweden	14.4	-3.5
France	11.8	7.2
United States	9.2	-6.1
Italy	5.9	1.3
Belgium	5.4	4.5
Switzerland	4.2	-2.5
Norway	2.8	-0.6
Luxembourg	2.1	1.0
Hong Kong	1.8	-1.2
Finland	1.5	-0.7
Austria	1.1	-0.1
Portugal	1.1	1.1
Other	4.0	-1.5

Market Cap	Gross%	Net%
>£5bn	9.0	-3.1
£1bn-£5bn	47.3	-5.0
£250m-£1bn	66.8	21.1
<£250m	27.9	20.9

Positions	Jan	Dec
Long	83	85
Short	73	78
Longs Opened	1	1
Longs Closed	3	3
Shorts Opened	5	1
Shorts Closed	10	7

Sector	Gross%	Net%
Communication Services	6.1	5.1
Consumer Discretionary	33.4	-1.4
Consumer Staples	7.7	-3.2
Financials	11.2	10.1
Health Care	2.8	1.6
Industrials	45.7	14.8
Information Technology	26.9	-4.5
Materials	9.2	8.8
Real Estate	6.4	4.3
Utilities	1.6	-1.6

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

Trigano SA – French producer and distributor of leisure vehicles and equipment (1.6% NAV)

Trigano is a French, EUR 2.5bn market capitalised, producer and distributor of leisure vehicles (LVs) and leisure equipment. The company has strong market positions in motorhomes with market shares ranging from 25% to 40% in Europe for different product levels. The company has done well, growing top line organically by around 8%, over the last 5 financial years (August year-end) to EUR 3.9bn with extra growth from sensible bolt on acquisitions. They have also taken operating margins up from 9% to 12.7% during this time. This is particularly impressive in a period where some other competitors have struggled with the volatility in demand and supply chain issues, due to the Covid-19 period and its after effects. We believe their focus on operational efficiency with a strengthened relationship with their supply partners, assisted by their increasing scale, has helped them to take market share and puts them in a position to take further market share going forward. The business generated a solid post-tax return on invested capital of 19% and we expect strong free cash flow this year of over EUR 500m as working capital is reduced. We believe the company is significantly undervalued given the enterprise value to operating profits after tax is less than 7 times this year.

Most of Trigano's sales are into LVs (87% of sales) with a particular focus on motors homes (80% of sales). Other noticeable product segments being accessories for LVs (7%), caravans (4%), trailers (4%) and mobile homes (3%). They run many brands for different geographies (27 in motorhomes), catering for different local preferences as well as price points. Trigano is pan European with its largest sales area its home in France (28%), the other two important markets being the substantial LV markets of Germany (20%) and the UK (15%). It produces across 6 European countries in its main motorhomes market. Trigano also has a small amount of vertical integration, owning LV distribution in France and Italy which it has built up recently via acquisition, this also gives them, perhaps more importantly, better visibility on end demand.

The LV market had a very strong upturn in the Covid-19 era due to restrictions on international travel. However, we are positive on demand for LVs longer term due to a structurally aging European population, the large increase in holiday prices seen post Covid-19 and new customers gained in that period seeing the attraction of an LV vacation. The overall motorhomes market is around 20% larger than 5 years ago but sell-out of vehicles still grew in the industry for the final quarter of 2024 by 5%. Trigano has its strongest position in the low-profile segment of the motorhomes market, with a 40% share, which is particularly attractive to the over 55s market, sleeping two people. This demographic uses finance less to acquire vehicles and is therefore more resilient to interest rate changes, as well as this being a testament to their financial strength. This puts Trigano in a structurally strong position for medium term growth when allied to an aging population who have a higher propensity to use LVs.

Operational efficiency is an important part of Trigano's culture and is particularly crucial on the mid-to-entry level it focusses on, making it cost competitive alongside having a good reputation. Reinforcing this discipline is the fact they have been quick to cut costs, reducing staff numbers by around 10% ahead of lower production this year. The chairman of the management board, since September 2020, Stephane Gigou is an ideal leader, previously working for Fiat in the extremely cost focussed auto industry. His personal involvement in negotiations with their top 7 suppliers is a good example of this in practice. Given their strong financial position compared to their competitors, as well as growing buying power we think they will be in a good position in key supplier discussions, such as chassis manufacturers, going forward.
As mentioned, Trigano has often made bolt-on acquisitions. They recently made a larger acquisition of a mobile home business, Bio Habitat, which we estimate will add over EUR 270m of sales to the revenue base, with double digit margins. Consideration has not been disclosed but we believe they will be in line with its strategy of not paying more than 7 times operating profit. Overall, we see this as a sensible transaction to scale up their market position in mobile homes which addresses a similar cohort to their main area.

This year we expect revenues to go to EUR 3.8bn with an organic fall of circa 7%, with the fall impacting the first half of this year. We expect margins to move to 10% to around EUR 380m of operating profit, exacerbated by the focus on inventory reduction and therefore a larger decrease in production volumes. However, the positive benefit of a fall in production volumes should be a reduction in inventory. As of the year-end, the company was overstocked, and we expect between EUR 200-250m in working capital reduction this financial year leading to cash generation of over EUR 500m. This would lead to a net cash balance of close to EUR 400m by year end, adjusting for the Bio Habitat consideration, which we would expect to go towards acquisitions and shareholder returns leading to a dividend yield of circa 3%. We like to see strong balance sheets with high quality management teams due to the optionality this enables.
Overall, we see Trigano as a well-managed company with strong market positions alongside attractive returns on capital and operating margins. Longer term we also believe their end markets have positive structural tailwinds, and their operational efficiency should enable them to take share and grow faster than the market. Putting the business on 11 times operating profit after tax leads to upside potential of over 60% through to August 2026.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2025	-1.7												**-1.7**
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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