Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2025

Issued on 7th March 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 228m as at 28th February. 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 28th February 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	156.21	189.13	26.39	27.09	27.23
	% Change				
February 25	2.5	3.8	2.5	3.8	3.8
2025 to Date	0.7	0.8	0.7	0.8	0.8
Annualised return[3]	11.2	10.5	7.1	7.3	7.4
Since launch[3]	1491.6	1243.0	163.9	170.9	172.3
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 returned 2.5% in February with the long book and short book contributing 130bps and 137bps respectively.

The largest positive contribution came from Costain Group Plc adding 101bps, on no material news. EVS Broadcast Equipment SA reported in the month which was well received as they continue to show good operational momentum with a growing orderbook and pipeline while still trading on a lowly multiple of less than 11 times enterprise value to profits after tax. A UK technology hardware company contributed 68bps to performance on no news. Our long position in Loomis contributed 36bps as the share price reacted positively to their 4Q results, which showed strong profitability for the business both in the US and in Europe.

On the negative side, a German defence supplier detracted 69bps as the geopolitical situation means a much higher level of defence spending than we expected which helped the whole sector. We decided to exit the position as we feel the top down benefit to come is too meaningful to ignore. We clearly misjudged the eventual decision by the US President to leave future European security completely to Europe as seems likely now. A German online retailer cost the fund 58bps after strong 2024 results and expectations for 2025. Although the stock continues to trade on eye watering multiples we have decided to exit the position as it is not clear when their earnings momentum will reduce.

Ultimate Products Plc cost the fund 57bps as it reduced expectations. A French technology company also cost the fund 54bps after reporting preliminary 2024 numbers and 2025 guidance. We still question their structural cash generation and profitability going forwards as they sell into customers with strong bargaining power.

[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 February 2025

Contributors	bps
Costain Group Plc	101
EVS Broadcast Equipment SA	71
UK technology hardware company	68
AcadeMedia AB	41
Loomis AB	36

Detractors	bps
German defence company	-69
German online retailer	-58
Ultimate Products Plc	-57
French technology company	-54
Moltiply Group S.p.A	-33

Top Five Long Holdings as at 28th February 2025

Company	Country	Sector	% of NAV
Costain Group Plc	United Kingdom	Industrials	8.4
EVS Broadcast Equipment SA	Belgium	Information Technology	5.6
IG Group Holdings Plc	United Kingdom	Financials	4.0
STO SE & Co KGaA	Germany	Materials	3.9
Vossloh AG	Germany	Industrials	3.3
			25.3

Exposures as at 28th February 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
92.7 (92.5)	44.8 (58.6)	137.5 (151.0)	48.0 (33.9)

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 28th February 2025

Country	Gross%	Net%
United Kingdom	46.4	26.6
Germany	28.4	18.2
Sweden	13.6	-2.7
France	12.9	7.2
United States	7.0	-3.8
Belgium	5.8	5.8
Italy	5.4	1.3
Switzerland	3.9	-2.2
Norway	2.6	-0.5
Hong Kong	2.2	-1.4
Finland	1.7	-0.9
Luxembourg	1.3	1.3
Austria	1.2	-0.1
Portugal	1.1	1.1
Other	4.0	-2.0

Market Cap	Gross%	Net%
>£5bn	8.2	-2.2
£1bn-£5bn	34.6	9.6
£250m-£1bn	65.5	17.4
<£250m	29.1	23.3

Positions	Feb	Jan
Long	81	83
Short	67	73
Longs Opened	1	1
Longs Closed	3	3
Shorts Opened	3	5
Shorts Closed	9	10

Sector	Gross%	Net%
Communication Services	4.6	3.5
Consumer Discretionary	27.4	6.0
Consumer Staples	5.9	-1.3
Financials	12.0	10.9
Health Care	2.9	1.7
Industrials	41.1	18.8
Information Technology	27.1	-2.6
Materials	8.6	8.2
Real Estate	6.5	4.2
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.

Paragon Banking Group Plc – UK specialist mortgage lender (1.5% position size)

Paragon is a GBP 1.5bn market capitalised, specialist lender focussing mainly on the professional Buy-To-Let (BTL) sector (85% of its GBP 15.7bn loan book) alongside Commercial Lending (15%). The company has a solid track record growing earnings by around 8% per year over the last 10 years with an average return on equity of over 12%. All helped by being an extremely efficient business with a cost to income ratio now in the mid 30%, and with average charge offs of only 0.1% of the loan book per year. Trading at around book value and on a lowly rating of 7.5 times forecast earnings we see the company as mispriced.

We have owned Paragon a few times in the past, most recently in early 2017. Since selling the stock the company's profits have grown by 8% per annum while the shares have returned 12% per annum. We also wrote briefly on the company back in 2000. We last sold the shares when the company was trading on an earnings multiple of 10 times and a dividend yield of just over 3%, and the current earnings multiple and 5.5% dividend yield compare favourably.

Paragon has been in the BTL sector for 30 years giving it an enviable database in this subsector's credit cycle in multiple market environments. We view this as a competitive edge and critical to their impressively low level of impairments over time. The fantastic record of cumulative write-offs of only GBP 1.5m on GBP 16bn of lending in BTL since 2010 is testament to this. Paragon focusses on the professional BTL investors which have multiple properties sat in a corporate structure, as opposed to the amateur landlords owning 1 or 2 properties that are slowly exiting the market, partly due to an unhelpful fiscal regime for these types of investors. Paragon lends via intermediaries which helps to enable a more efficient cost base.

Going forward we think there will be some interest margin reduction as interest rates trend down, putting some pressure on the spread they make on customer deposits. However, on the other side they should gain from the lower margin legacy book linked to pre 2008 BTL customers (GBP 2.7bn of loan book) which is on a variable rate but a lower margin. Due to the aging profile of these customers, as well as perhaps a wish to lock in rates given recent volatility, the redemption level is higher than the rest of the book. These mortgages are gradually being replaced with higher spread new loans. They will also gain interest margin from the much higher spreads on non BTL lending.

The business is looking to grow its non BTL segment as a proportion of profits, currently sitting at around 35%. The Commercial Lending segment (GBP 2.3bn of loans) has two principal areas, the first one being development finance (GBP 884m) whereby they lend to residential projects, typically over 80% of which are existing relationships, with an average GBP 5m in value and loan to gross development value of 63% currently. The maximum they lend to is 70%. The other substantial loan book is SME lending (GBP 818m), whereby Paragon focuses on asset backed lending including invoice financing. Both these areas are showing good growth alongside a circa 0.9% overall Commercial Lending segment charge off in the financial year to September 2024, which compares favourably to a circa 6% revenue margin on the loan book.

Paragon has a strong balance sheet with a Core Equity Tier 1 ratio of 14% versus a target of 13% and total excess capital of around GBP 200m. This enables them to pay out 40% of earnings as dividends plus share buybacks, such as the GBP 100m buyback announced in the last financial year. There was some uncertainty that the regulatory regime could increase the bank's capital requirements, but we believe this will not happen now in the new global political environment.

With respect to management, the CEO Nigel Terrington has been in the business since 1987, and we see him as a great asset to the company given the firm's track record under his leadership. His GBP 5m shareholding also gives strong alignment.

So far, this fiscal year has been positive with new lending up 11% and the lending pipeline up over 25% in the first quarter. The loan book was up 5.5% to GBP 15.9bn. We expect net income of around GBP 220m and a return on equity of just over 15% this year, flat on the last Financial Year. Overall, we see Paragon as a very solid business with an impressive track record that should be able to grow earnings by mid to high single digits in the medium term, alongside an attractive dividend yield. We think the business should be trading on a 9 times earnings multiple which leads to a total return of 37% over the next 18 months.

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	2.5											**0.7**
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**

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 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 Auris Wealth Management SA with registered office at Boulevard des Philosophes 15, 1205 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:	Margaret Webb, Ennismore Fund Management	+44 (0) 20 7368 4250	clients@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