Ennismore Global Equity 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 and Sweden. The Fund size was GBP 139m as at 28th February 2025. Total assets under management by Ennismore Fund Management were GBP 419m. We currently have capacity available in the Global Equity Fund. If you would like more information or to invest, please contact Margaret Webb on +44 (0) 20 7368 4250 or email clients@ennismorefunds.com.

Performance as at 28th February 2025

	Share Class[1]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[2]	15.32	15.24	16.04	14.20	11.53	12.03
	% Change					
February 25	1.8	1.8	2.9	2.6	1.7	1.8
2025 to date	3.4	3.4	3.5	4.0	3.0	3.3
Annualised return[3]	5.2	5.1	5.8	4.3	2.2	3.0
Since launch[3]	53.2	52.4	60.4	42.0	15.3	20.3
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 GBP A NAV per share increased by 1.8% in February, with the long and short book contributing 1.1% and 1.6% respectively. Performance in the month was driven by strong stock selection aided by a tailwind from geographical positioning as the recent trend of European equity outperformance gathered pace.

Top Five Contributors and Detractors for February 2025

Contributors	**Bps**
Tam Jai International Co	79
Thyssenkrupp AG	75
Philip Morris International Inc	63
Admiral Group Plc	43
Nelnet Inc	31

Detractors	**bps**
French technology company	-45
Tilaknagar Industries Ltd	-39
Wise Plc	-29
Calumet Inc	-24
Conduit Holdings Ltd	-20

Top Five Long Holdings as at 28th February 2025

Company	**Country**	**Sector**	**% of NAV**
Admiral Group Plc	United Kingdom	Financials	8.0
Auto Trader Group Plc	United Kingdom	Communication Services	4.1
Philip Morris International Inc	United States	Consumer Staples	3.7
Nelnet Inc	United States	Financials	3.4
Baltic Classifieds Group Plc	Lithuania	Communication Services	2.9
			19.1

[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.

Exposures as at 28th February 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
106.7 (113.6)	39.6 (42.7)	146.3 (156.3)	67.1 (70.9)

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 States	36.1	-1.1
United Kingdom	31.2	27.6
Japan	10.9	10.7
Sweden	7.9	0.1
Canada	7.5	6.5
Germany	6.8	3.5
France	5.2	-4.1
Italy	5.2	2.6
Belgium	4.0	4.0
Hong Kong	3.9	2.1
Norway	3.0	2.7
Ireland	3.0	3.0
Lithuania	2.9	2.9
Bermuda	2.1	2.1
Israel	1.6	0.6
Australia	1.4	-1.4
Poland	1.4	-0.3
Finland	1.3	-1.3
South Korea	1.3	1.3
Philippines	1.2	1.2
Singapore	1.0	1.0
Switzerland	1.0	-0.5
China	1.0	1.0
Taiwan	0.9	0.9
Other	4.6	2.2

Market Cap	Gross%	Net%
>$50bn	15.5	11.4
$20bn - $50bn	6.6	1.4
$2bn - $20bn	78.6	30.1
$500m -$2bn	30.0	12.5
<$500m	15.6	11.7

Positions	Feb	Jan
Long	96	88
Short	96	98
Longs Opened	10	5
Longs Closed	2	1
Shorts Opened	7	17
Shorts Closed	9	8

Sector	Gross%	Net%
Communication Services	26.1	20.2
Consumer Discretionary	19.9	9.7
Consumer Staples	9.4	0.9
Energy	3.2	2.0
Financials	26.7	16.1
Health Care	8.2	3.8
Industrials	22.0	4.0
Information Technology	18.6	-0.2
Materials	8.6	5.1
Real Estate	3.5	2.8
Utilities	0.2	-0.2

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

ADDCN Technology – Taiwan online classifieds business (0.9% position size)

ADDCN Technology (“ADDCN”) is a Taiwan-based operator of multiple online classified portals, most of which dominate their respective verticals. With a market capitalisation of TWD11.2bn and adjusting for net cash of TWD592m as at the end of the third quarter last year (“Q3 2024”), the company’s shares today are valued at less than 15x trailing twelve-month net operating income after tax (“NOPAT”) of TWD719m, a significant discount compared to where global peers are trading. We believe this is in part due to where it is currently listed, namely Taiwan, but also driven by a holding company structure which masks the core underlying businesses that would be more familiar to everyday users.

The company’s largest segment is its property portal 591.com.tw (“591”) which accounts for over two-thirds of group revenues and more than 70% of group profits. Started in 2007, this site allows landlords, estate agents, and developers to list properties to rent, and existing and new properties for sale online for a certain period in exchange for a fixed fee. It dominates its industry with traffic volumes over 3-4x that of its next largest peers Rakuya and HouseFun. It also benefits from competing sites being typically affiliated with just a few estate agent groups, leading to misaligned incentives and potential conflicts of interest.

591’s market share of more than 80% in listed property rentals, which is mostly driven by individual landlords, helps to maintain a high number of portal visits. This, in turn, drives the group’s higher revenue-generating ‘for sale’ property listings, allowing them to add more features, enhance the user experience, and market the brand to reinforce the traffic advantage, resulting in a virtuous cycle. In fact, the property portal’s popularity with locals is reflected in the number of search queries for “591” being more than ten times that of any generic search terms such as “rental properties”.

The online penetration rate of rental and existing property listings is already high at around 90% domestically. However, most new property advertising spend is done offline with estate agents, and this segment accounts for less than 10% of portal revenues today. We believe this could be a growth driver for the business going forward.

More importantly, there is a great deal of latent pricing power. For example, rental properties can be listed for 30 days starting at TWD400 (USD12) and existing properties listed for 90 days starting at TWD600 (USD18) compared to average annual rents of TWD108,000 (USD3,300) and average property values of TWD17m (USD520,000). Management has historically prioritised developing and maintaining its advantage in listing volumes on the portal over pushing through price increases. Listings inventory leadership is a core strategic advantage for 591, especially in a country with no centrally shared property database. However, with online penetration now mature, it is time for management to step on the pricing lever. To give a sense of the opportunity, the effective price to list a property on Rightmove in the UK is in the region of USD200 (compared to an average house price of c. USD340,000), whilst the average revenue per property that REA Group in Australia generates (albeit this includes upselling revenues so is not directly comparable) is not far off USD2,000. We see potential for 591 to increase its unit prices by 10x or more over the long term.

Also launched in 2007, the next largest revenue contributor is 8591.com.tw (“8591”) which is the largest trading platform domestically for virtual online gaming assets. The group offers an escrow service for such online transactions generating revenues through commissions with a 6% take rate. Like 591, the mindshare of the portal is reflected in local gamers using “8591” as a verb for trading these virtual goods, reflecting its market share of 90%. This is however a relatively mature cash cow currently producing around 15% of group revenues and roughly 20% of group profits.

8891.com.tw (“8891”) is ADDCN’s third largest source of revenues and profits currently accounting for 10%. Set-up in 2009, this portal provides used car listings for a certain period in exchange for a fixed fee from dealerships, in addition to generating a smaller amount of lead fees for new car sales in partnership with automotive manufacturers. The company has a less dominant market share of 50% in this segment, competing with the likes of Yahoo Autos and UCar which account for 20% and 10% of the market respectively. That said, 8891 has gained share of portal traffic relative to both peers in recent years. The online penetration rate of used car listings is only around 60% today, suggesting further room for volume growth, whilst the latent pricing power is similar to our discussion of 591 assuming 8891 continues to progress towards a dominant position.

The remainder of revenues comes from ADDCN’s job recruitment site 518.com.tw (“518”), which was acquired in 2015, as well as much smaller portals involved in connecting users to local tradesmen (945.com.tw), professional freelancers (tasker.com.tw), younger part-time workers (chickpt.com.tw), and interior designers (100.com.tw). These have weaker competitive positions or are more immature verticals. For example, the online job recruitment market in Taiwan is dominated by 104.com.tw with a share of 60% compared to 518 with just 20%. As a result, these five sites are not profitable today.

It is worth noting, however, that the four smaller portals were launched only within the last decade. A start-up culture is encouraged within the company, where employees can pitch new portal ideas to senior management and run test platforms with minimal upfront investments. Should it gain traction, then more resources are provided, and key employees are given more responsibilities as well as a profit share in the venture.

This approach stems from the company’s founder and current chairman’s own history where he experienced multiple venture failures and business model pivots for more than a decade, before landing on the more successful and profitable marketplace portals 8591 and 591 in 2007. Together with his wife and brother-in-law, they own 40% of ADDCN today. Balancing the willingness to try out new ideas is the resolve to quickly shut things down if they’ve proven not to be viable, as the group has done with multiple sites over the years.

Despite all the investments into incubating new ideas, ADDCN remains highly profitable, generating an annual after-tax return on capital employed (“ROCE”) in excess of 60% over the past five years. The company is also very cash generative and currently has an overcapitalised balance sheet with net cash of TWD592m, plus bond and equity investments of TWD375m as of Q3 2024. This has been achieved whilst maintaining a payout ratio of over 75% during the past five years, resulting in a dividend yield of 5% for the listed shares today.

Given the core marketplace portals' revenue-per-listing model (as opposed to a subscription-based model), the group will be subject to some degree of end-market cyclicality. This is especially true with revenues derived from the existing home business that tends to experience a higher proportion of multiple listings of the same property by estate agents during an upcycle. However, we believe this risk is outweighed by the opportunity for increased monetisation, whether through list price increases or through new value-added services that are constantly tried and developed in-house. For example, within the last two years, 591 has offered a new bidding system to allow for better ranking exposure with certain properties. This has generated higher revenues per listing without directly increasing the list price for the average portal user. Rental listings also tend to do well during a property downcycle, providing some cyclical hedge.

There are obviously geopolitical risks involved for a company operating in Taiwan. We don't profess to have any differentiated view on the matter, and as such, we have a relatively conservative exposure to the Greater China Region. Likewise, a low valuation for such great businesses allows us to generate much higher returns than otherwise in exchange for the risks taken.

We believe the company should be able to grow revenue by at least a high-single digit rate over the medium term, driven by a combination of price increases and a regular roll-out of new features. In addition, listings volume growth and the natural mix shift towards the higher growth property and car portals (as 8591 becomes a smaller proportion of the group) should boost revenue growth. As growth shifts towards pricing rather than volume, international peers indicate a major opportunity for margin expansion as well. At maturity, there is no reason ADDCN's core portals should not generate 60-70% margins like its peers in Europe and Australia do. At less than 5x revenue and below 15x NOPAT, we're buying proven and dominant or approaching-dominant but under-monetised marketplace businesses – namely, 591, 8591, and 8891 – at a highly attractive price, with the upside optionality from the smaller portals and still to be launched sites on top. International peers are valued at 10-30x revenue and 24-80x NOPAT. If we assume a discounted valuation of 20x NOPAT, we could easily see upside of over 50% in the next couple of years. More imaginatively, if ADDCN was to approach the monetisation levels of some of its leading peers in other countries over time, the stock could be worth many multiples of its current price.

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
2025	1.6	1.8											**3.4**
2024	3.3	-3.1	1.9	1.1	2.7	-0.9	0.7	1.5	-1.4	-0.3	0.4	0.5	**6.5**
2023	0.7	0.8	0.1	3.4	-1.7	-0.9	0.8	2.5	4.9	0.9	-0.4	-0.1	**11.4**
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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