Ennismore European Smaller Companies Fund

Investor Newsletter for the month of July 2025

Issued on 11th August 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 248m as at 31st July 2025. Total assets under management by Ennismore Fund Management were GBP 444m. 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 Margot 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.

Team Update

After 21 years of managing part of the Fund's investment portfolio, Tom Hearn has decided to retire from managing money professionally and left Ennismore on 31st July. Over the last few months, his portfolio has been reallocated amongst the existing investment team who have an average of 15 years experience managing European small cap equities.

Tom intends to retain a significant personal investment in the Fund and, whilst it is always sad when a valued colleague leaves, we fully expect to remain in contact and exchange ideas on companies for many years to come.

We want to take this opportunity to thank Tom for his contribution to Ennismore and the Fund and we wish him everything he desires for his future.

Performance as at 31st July 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	171.22	197.97	28.94	28.38	28.51
	% Change				
July 25	2.1	1.1	2.1	1.4	1.4
2025 to Date	10.4	5.6	10.5	5.6	5.6
Annualised return[3]	11.4	10.5	7.6	7.5	7.5
Since launch[3]	1644.5	1305.8	189.4	183.8	185.1
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.
[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.

The GBP A class gained 2.1% during the month whilst the EUR A class gained 1.4%. On a gross basis, the long book contributed +3.3% to performance, whilst the short book detracted -0.6%.

The top contributors were Just Group (+59%, +0.92% contribution), and Secure Trust Bank (+23%, +0.65% contribution). At the end of July, Brookfield Wealth Solutions made a cash buyout offer for Just Group at a significant premium. This is a position that we have held for more than four years and first wrote about in February 2019. The fact that it has now become the subject of a buyout offer comes as little surprise given our view that it continued to trade at attractive levels, especially when compared to its “locked in” book value and closest peers. This was highlighted in our April Global Fund newsletter.

Secure Trust Bank continued to gain ahead of the final ruling from the UK Supreme Court pertaining to the UK car finance industry which subsequently came in early August and, when delivered, removed the worst-case scenario for auto lenders.

Top Five Contributors and Detractors for July 2025

Contributors	bps
Just Group Plc	92
Secure Trust Bank Plc	65
EVS Broadcast Equipment SA	26
French technology company	22
Frequentis AG	20

Detractors	bps
Swiss industrial company	-49
Amadeus Fire AG	-43
Finnish machinery manufacturer	-31
Finnish industrial company	-23
SAF Holland SE	-18

Top Five Long Holdings as at 31st July 2025

Company	Country	Sector	% of NAV
EVS Broadcast Equipment SA	Belgium	Information Technology	3.4
Secure Trust Bank Plc	United Kingdom	Financials	3.0
Academedia AB	Sweden	Consumer Discretionary	2.9
SAF Holland SE	Germany	Consumer Discretionary	2.7
Trigano SA	France	Consumer Discretionary	2.5
			14.5

Exposures as at 31st July 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
78.9 (77.9)	34.0 (36.7)	112.9 (114.6)	44.9 (41.2)

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 July 2025

Country	Gross%	Net%
United Kingdom	25.5	21.0
Germany	22.2	18.0
France	13.4	9.7
Sweden	9.0	1.7
United States	7.6	-5.4
Belgium	5.2	4.7
Switzerland	5.0	-5.0
Italy	4.8	2.5
Netherlands	2.9	0.3
Finland	2.9	-1.6
Austria	2.6	1.2
Luxembourg	1.9	0.3
Denmark	1.7	-1.7
Norway	1.3	-1.0
Spain	1.1	-0.6
Portugal	1.0	1.0
Other	5.0	-0.3

Market Cap	Gross%	Net%
>£5bn	16.3	2.0
£1bn-£5bn	30.6	7.6
£250m-£1bn	45.2	18.8
<£250m	20.9	16.6

Positions	Jul	Jun
Long	96	99
Short	80	81
Longs Opened	6	11
Longs Closed	9	2
Shorts Opened	8	6
Shorts Closed	9	7

Sector	Gross%	Net%
Communication Services	8.6	5.9
Consumer Discretionary	23.4	5.9
Consumer Staples	7.8	1.5
Financials	11.0	10.2
Health Care	5.2	4.8
Industrials	26.7	4.3
Information Technology	18.7	4.1
Materials	6.5	4.8
Real Estate	4.5	3.8
Utilities	0.5	-0.5

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

Kitwave – UK food distributor (1.2% of NAV)

The market has fixated on short-term headwinds following Kitwave's July profit warning. This has created a rare opportunity to buy shares in a well-positioned consolidator, that has delivered 14% annual growth over the last 15 years, at a significant discount to both peers and take-private transactions. With meaningful competitive advantages relative to smaller distributors, the structural shift from cash & carry to delivery still firmly in place, and the food wholesale market highly fragmented, Kitwave remains well-positioned to continue consolidating the market for years to come. Yet, despite such a favourable set-up, the combination of Kitwave's small size and low liquidity mean that, while squarely in our sweet spot, this is not an opportunity that many will be able to capitalize on.

With a market cap of around GBP 200m, Kitwave is a UK food distributor that started in 1987 as a single-site confectionery wholesaler, and has since then transformed into a diversified UK-wide food wholesaler. Today, Kitwave generates approximately GBP 800m in pro-forma sales by delivering a mix of products such as snacks, food, alcohol, etc, spanning multiple well-known brands, to convenience stores across the UK. Over the last 15 years, Kitwave has grown organically 3-4% per annum, supported by the distribution market shifting away from cash & carry towards delivery, a trend which is set to continue. Organic growth was also supplemented by a 10% annual contribution from acquisitions. In our view, enough of the market remains fragmented to continue this consolidation via bolt-on acquisitions.

Within the food distribution space, Kitwave is focused on mom & pop convenience stores, and independent restaurants. In these niches, where it has approximately 8% and 5% market share, there is less competition from large distribution groups like Booker, Bestway or Bidfood. Those large distribution groups are built to service large chains with hundreds of sites that need large deliveries; their vans can be as much as 12 times larger than Kitwave's. However, smaller regional distributors struggle to compete with Kitwave, given the high logistical effort required to match how Kitwave serves those smaller customers. This is due to Kitwave's service level, high route density and buying scale. More specifically, Kitwave has 99% on-time, in-full delivery, and can deliver orders as low as 100 GBP, as frequently as daily. These compounding advantages create a self-reinforcing scale advantage for Kitwave, attracting even more customers, which in turn further increases route density and buying scale relative to regional competitors.

Reliability and convenience are key factors in setting barriers to competition and minimising the threat of substitutes (cash & carry has declined from over 80% of the food wholesale market in 2007 to less than 50% today), but there are some additional factors which determine Kitwave's economics. Its largest 20 suppliers represent roughly half of purchases by value, but the company sources through a purchasing group with over GBP 8bn in annual buying power to improve their negotiating position, and can also negotiate rebates directly thanks to its access to difficult-to-reach independents. Meanwhile, its customer base is extremely fragmented; the 10 largest customers represent less than 1% of sales. These factors, added to 14% annual sales growth and mix benefits, have supported 16 percentage points of gross margin expansion over the last 15 years. This competitive structure and positioning also underpins a 20% post-tax return on capital, prior to the Creed acquisition. In summary, this is a good quality business which has built a compelling moat through its customer network and growing scale.

The Creed acquisition announced last September (GBP 130m in sales and GBP 10m in earnings before interest, tax, depreciation and amortisation (EBITDA)), for which Kitwave paid an enterprise value of GBP 70m including earn-out, has grown their foodservice segment more than 50%, into a business with over GBP 350m in pro-forma annual sales. This acquisition has created a more scaled platform from which to continue consolidating the foodservice market. All else equal, with capital allocation focused on this higher-margin foodservice segment, the mix should mechanically continue to lift operating margins by approximately 10 basis points every couple of years.

The company listed in 2021, with a market of GBP 105m, after going through its second private equity investment partnership in a decade. The bulk of proceeds raised were primary, although there was also some secondary, at approximately 20% of the proceeds, in which private equity sold out, and both the founder and his family, as well as management, partially monetized roughly a quarter of their holdings. The fresh capital was used primarily to reduce financial leverage, which left the company in the position to subsequently continue consolidating its niche.

Recent market turbulence has created an attractive entry point. Shares declined more than 20% following a profit warning in early July, as a perfect storm of individual issues converged in time: a National Insurance hike; weaker consumer confidence hitting high-margin leisure spend into the peak summer season; depot transition cost overruns; and acquisition integration benefit delays. We viewed the move as disproportionate relative to the near-term profit headwinds and used the dislocation to build a more meaningful position in a company we had been closely following for several months, at a significant discount to both peers and prior take-private transactions.

With GBP 74m in net financial debt, Kitwave shares trade on 11 times enterprise value to October 2025 operating profits after tax, based on a GBP 35m operating profit. This is a material discount to what peers trade on, which are on 16 times operating profits after tax, despite delivering double their growth and post-tax returns. At peer multiples, shares could more than double to October 2027. Kitwave is also an attractive take-over candidate: it is small; has room for increased leverage, as net financial debt is 1.4 times EBITDA versus in excess of 4 times prior to listing; and there are no blocking stakes, with founder Paul Young at only 4.6% of the share capital now. In the scenario of an acquisition or take-private transaction, Kitwave could achieve a much higher valuation than it currently receives in public markets; prior transactions like Tesco's acquisition of Booker, took place at over 20 times post-tax earnings, more than double Kitwave's current valuation. However, at 12 times enterprise value to October 2027 operating profits after tax, our base case of 50% returns over two years doesn't rely on a deal or meaningful re-rating: we collect a 4% dividend yield, while the company generates free cash in excess of 7% of market cap annually, which is deployed to grow per share earnings via acquisitions, or buybacks - which management is increasingly open to at these valuations.

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	4.6	1.9	-0.6	1.2	2.1						**10.4**
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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