Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2025

Issued on 7th October 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 245m as at 30th September 2025. Total assets under management by Ennismore Fund Management were GBP 433m. 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.

Performance as at 30th September 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	170.73	195.62	28.86	28.06	28.22
	% Change				
September 25	0.3	-0.4	0.4	-0.3	-0.2
2025 to Date	10.1	4.3	10.2	4.4	4.5
Annualised return[3]	11.3	10.4	7.5	7.3	7.3
Since launch[3]	1639.5	1289.1	188.6	180.6	182.2

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 Fund was up 0.3% in September, with the short book contributing 150bps and the long book detracting 100bps. In a month where no single position made a significant impact on performance, the top contributor was a short position the Fund holds in a Swiss industrial company (+43bps) where the shares lost ground following half year results that failed to meet the market's high expectations.

Top Five Contributors and Detractors for September 2025

Contributors	bps
Swiss industrial company	43
Frequentis AG	27
Academedia AB	19
US food producer	18
Poland based logistics company	14

Detractors	bps
Amadeus Fire AG	-33
System1 Group Plc	-24
Davide Campari Milano NV	-23
Moltiply Group SpA	-22
Gesco SE	-14

Top Five Long Holdings as 30th September 2025

Company	Country	Sector	% of NAV
Academedia AB	Sweden	Consumer Discretionary	3.2
EVS Broadcast Equipment SA	Belgium	Information Technology	3.1
STO SE & Co KGaA	Germany	Materials	2.4
Trigano SA	France	Consumer Discretionary	2.3
Just Group Plc	United Kingdom	Financials	2.3
			13.3

Exposures as at 30th September 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
83.0 (80.5)	33.2 (32.6)	116.2 (113.1)	49.7 (47.9)

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 30th September 2025

Country	Gross%	Net%
United Kingdom	26.5	22.4
Germany	21.9	16.7
France	13.3	10.0
Sweden	8.8	3.3
United States	8.0	-6.1
Italy	6.0	2.3
Switzerland	4.5	-3.0
Belgium	4.5	4.3
Austria	3.5	1.4
Netherlands	2.8	0.0
Denmark	2.1	-2.1
Finland	2.0	-0.9
Luxembourg	1.8	0.3
Spain	1.5	-0.4
Hong Kong	1.2	-0.6
Japan	1.1	1.1
Portugal	1.0	0.9
Canada	0.9	0.3
Other	4.7	-0.1

Market Cap	Gross%	Net%
>£5bn	18.9	5.5
£1bn-£5bn	33.1	8.7
£250m-£1bn	45.7	19.2
<£250m	18.4	16.3

Positions	Sep	Aug
Long	108	105
Short	89	81
Longs Opened	7	11
Longs Closed	4	2
Shorts Opened	11	6
Shorts Closed	3	5

Sector	Gross%	Net%
Communication Services	10.0	5.9
Consumer Discretionary	22.6	5.4
Consumer Staples	7.6	1.4
Financials	11.2	9.6
Health Care	6.5	5.2
Industrials	26.6	9.0
Information Technology	18.6	3.3
Materials	8.7	6.5
Real Estate	4.3	3.5
Utilities	0.1	-0.1

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

Howden Joinery – UK kitchen supplier (0.6% of NAV)

Since we wrote about Howden Joinery ("Howden") in 2011, its market share of UK kitchen volumes has risen from a fifth to a third - and we don't think it will stop there. Howden's model is robust and self-reinforcing: its dominant scale in the production of kitchens drives cost advantages which are passed on to kitchen installers and end customers through lower prices, which itself drives volumes. This advantage is especially powerful in downturns, where Howden consistently takes share from weak competitors. Howden has taken so much share over the last few years that one can hardly tell that end markets are weak: over the last five years, the volume of kitchens installed in the UK has fallen more than twenty percent, while Howden has increased sales by close to fifty percent. At today's market capitalisation of GBP 4.5bn and enterprise value of GBP 4.1bn, investors can buy a high-quality business that perpetually takes market share, trading in line with historical valuation at seventeen times enterprise value to run-rate operating profit after tax of circa GBP 240m, despite significant optionality on volume and margin recovery.

Howden's competitive edge originates from its cost advantage. At two-and-a-half times the size of its closest competitor, Howden wields significant bargaining power over its suppliers, exchanging guarantees of volumes for lower prices per item. Additionally, Howden has selectively brought around a third of manufacturing in-house, capturing scale-related manufacturing efficiencies and procurement advantages that would otherwise be fragmented if sourcing from several suppliers (e.g. chipboard purchasing). Furthermore, while competitors such as Wren and Magnet operate under a consumer-facing model requiring large showrooms, Howden's offering is geared towards the kitchen installer - stores are small, unimpressive, and often hidden away on industrial estates, keeping overheads low. On top of this, Howden operates a world-class logistics network, capitalising on its greater density of stores to deliver stock faster, with fewer faults, and at a lower cost than competitors.

The feather in Howden's cap is not the cost advantage itself, but how it is shared with each part of the value chain to incentivise the sale of Howden kitchens. Howden's store managers are given local P&L ownership and generous profit sharing, and the superior store economics compared to peers results in store managers making more money at Howden than elsewhere - meaning they naturally amass the best talent in the industry. Kitchen installers make more money selling

Howden than any other brand: Howden kitchens are priced cheaper than peers for an equivalent product and operate under a confidential pricing model, meaning installers can mark up the sale and capture most of that pricing differential for themselves. Additionally, the in-stock model means that the majority of stock is available immediately or the next day and, combined with market-leading store proximity (nearly ninety percent of UK customers live within five miles of a Howden store), installers are able to turn over projects faster. Finally, the price to the end customer is typically lower than an equivalent kitchen from a competitor, as it is in the installers' interests to pass on enough of the economics to incentivise the end customers to choose Howden.

The competition continues to weaken. Competitors such as Magnet and Wren are ceding share to Howden as the trade channel slowly suffocates the consumer-oriented channel. Benchmarx, Travis Perkins' homebrewed answer to Howden, has been closing stores having never achieved sufficient scale to compete effectively. Homebase and B&Q have both closed their trade businesses, and Ikea, though taking share, remains small and competes only within flat-pack. Thirty to forty percent of the market is still made up of specialist independents, and Howden is coming for them too. This industry is a cage fight between a gorilla and a chihuahua - and we know who we're betting on.

UK kitchen volumes remain below the trough of the financial crisis in 2010-11, and more than twenty percent below what we consider normalised levels. Consumer confidence is low, pandemic-driven renovation has cooled, and higher interest rates have slowed down housing transactions – the main driver of replacement demand. The sell side models around one percent volume growth in the medium-term. We would be surprised if Howden did not outperform this even in a flat market, given incessant market share gains and maturation of the store base. In a modest recovery scenario, we believe Howden could see three to five percent volume growth annually over the next four years, driving high-single-digit sales growth after accounting for circa two percent price increases and two to three percent store count growth. Any outperformance of volumes will drop through at very attractive margins. Today, Howden's operating margin is around thirteen percent (adjusted for IFRS interest expense) compared to an average of around seventeen percent over 2015-19, and we think in the medium term margins will likely recover to, if not exceed, prior levels.

CEO Andrew Livingston's incentives are well-aligned with shareholders given that he is one, with GBP 4.5m of stock to his name. Our downside is protected by the position in the cycle, the robustness of the business model with sustainable return on capital of around thirty percent (will be higher on normalised volumes), and a healthy net cash position of a little over GBP 300m.

There are two main risks to the investment. Firstly, from their current UK store base of around 870 stores, Howden is expected to reach their stated limit of 1000 stores within the next five years. We don't necessarily believe that this is the ceiling: when we invested in 2011 we were told by management that the upper limit of Howden's presence in the UK was 650 stores! In the face of competitors closing stores, the latest target could again turn out to be arbitrary. Regardless, our thesis does not rely on this. Stores take seven years or more to reach full maturity, as the store manager and staff build relationships with local installers, and mature stores can reach contribution margins exceeding twenty percent. As a result, when Howden stops opening new stores, it will still continue taking share and growing same-store sales at three to five percent, with expanding margins - we believe terminal operating margins of Howden with a mature estate will be closer to twenty percent than current thirteen percent. On top of this, there are other avenues of growth. The one we are most optimistic for is Howden's expansion upmarket, representing a significant opportunity to gain share from independents. We see no reason why Howden's value-for-money advantage would not translate into the higher price ranges. Additionally, Howden is experimenting with fitted bedroom joinery, a category often served by the same installer as kitchen cabinets, representing a straight-forward opportunity to expand wallet share among their existing customers.

Secondly, Howden's haphazard international expansion has been relatively unsuccessful and widely viewed as a waste of capital. Fortunately, roll-out has now slowed to a standstill and management are aiming to improve profitability and expand more gradually. Though the economics will never rival those of the UK, we see no reason that the France and Ireland businesses cannot be reasonably attractive enterprises, especially given the ability to utilise the UK manufacturing infrastructure. With the majority of free cash flow being returned to shareholders through a dividend yield of around 3% with buybacks on top, we are comfortable with the capital allocation, though we intend to monitor the GBP 5m per year being spent on international capital expenditure closely and with a high level of scrutiny.

With the benefit of hindsight, we closed our initial position in Howden early – had we held it from 2011 until today we would have achieved an enviable annualised return in the high-teens. On a more positive note, we believe our latest purchase has the potential to meet or even exceed this in the medium to long term. In the meantime, should the market show early signs of volume recovery, we expect Howden to be swiftly reappraised given how low we perceive medium-term market expectations to be today.

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	-0.6	0.3				**10.1**
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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For further information please contact:	Margot 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

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