Ennismore Global Equity Fund

Investor Newsletter for the month of July 2025

Issued on 11th August 2025

Fund Details

Daily dealing actively managed 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 143m as at 31st July 2025. Total assets under management by Ennismore Fund Management were GBP 444m. We currently have capacity available in the Global Equity Fund. If you would like more information or to invest, please contact Margot Webb on +44 (0) 20 7368 4250 or email clients@ennismorefunds.com.

Performance as at 31st July 2025

	Share Class[1]					
	GBP	**GBP A**	**EUR**	**CHF**	**EUR I**	**USD I**
NAV per Share[2]	16.44	16.35	16.58	14.57	12.06	12.91
	% Change					
July 25	3.2	3.2	2.4	2.0	3.1	3.2
2025 to date	10.9	10.9	7.0	6.7	7.8	10.8
Annualised return[3]	5.8	5.7	5.9	4.4	2.7	4.0
Since launch[3]	64.4	63.5	65.8	45.7	20.6	29.1
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.

[1] Source: Administrator, Net Asset Value, net income reinvested. [1] Source: Administrator, Net Asset Value. [1] 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.

The GBP class gained 3.2% during the month. Both the long and short books contributed to performance, adding +3.0% and +0.5% respectively on a gross basis.

The top contributors were Genus, Vend (formerly known as Schibsted), Just Group and Money Forward. Genus and Vend both announced positive trading updates, whilst Money Forward rose as activist fund ValueAct took a 5.6% stake in the business. Following our April 2025 newsletter, where we highlighted the exceptional upside potential in Just Group, Brookfield Wealth Solutions made a cash buyout offer for the company at a significant premium.

Conversely, Paradox shares detracted -0.36% in July following sell-side downgrades tied to a stronger Swedish krona and fewer-than-expected content releases. We remain confident in the company's portfolio of highly monetisable titles and see scope for a near-term earnings uplift from the expected Q4 launch of Europa Universalis V. We took advantage of the weakness to add to our position.

Top Five Contributors and Detractors for July 2025

Contributors	**Bps**
Genus Plc	48
Vend Marketplaces ASA	39
Just Group Plc	37
Money Forward Inc	35
French technology company	32

Detractors	**bps**
Paradox Interactive AB	-36
Kitwave Group Plc	-19
Conduit Holdings Ltd	-15
US safety equipment manufacturer and supplier	-14
Mony Group Plc	-13

Top Five Long Holdings as at 31st July 2025

Company	Country	Sector	% of NAV
Nelnet Inc	United States	Financials	3.5
Auto Trader Group Plc	United Kingdom	Communication Services	3.4
Paradox Interactive AB	Sweden	Communication Services	2.7
Spirax Group Plc	United Kingdom	Industrials	2.6
Philip Morris International Inc	United States	Consumer Staples	2.6
			14.6

Exposures as at 31st July 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
107.7 (110.4)	43.1 (43.9)	150.8 (154.4)	64.6 (66.5)

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 States	40.4	-6.8
United Kingdom	30.7	26.9
Japan	11.9	11.6
Canada	9.4	7.6
Sweden	9.3	5.4
France	5.8	0.3
Belgium	5.5	5.5
Germany	4.9	3.1
Poland	4.0	0.9
Hong Kong	3.5	1.8
Spain	2.2	0.9
Hong Kong	2.0	2.0
Switzerland	2.0	-2.0
Italy	1.9	0.9
Australia	1.8	-1.2
Luxembourg	1.7	1.3
South Korea	1.6	1.6
Mexico	1.5	1.5
Israel	1.3	0.3
Mexico	1.3	1.3
Philippines	1.2	1.2
Netherlands	1.1	-0.3
Bermuda	1.0	1.0
Other	4.8	-0.4

Market Cap	Gross%	Net%
>$50bn	15.4	11.6
$20bn - $50bn	5.3	-0.7
$2bn - $20bn	79.9	26.8
$500m -$2bn	34.9	15.6
<$500m	15.4	11.3

Positions	Jul	Jun
Long	121	119
Short	102	103
Longs Opened	13	6
Longs Closed	11	1
Shorts Opened	9	12
Shorts Closed	10	15

Sector	Gross%	Net%
Communication Services	26.4	21.6
Consumer Discretionary	20.2	9.0
Consumer Staples	15.3	1.7
Energy	2.3	0.9
Financials	20.8	15.8
Health Care	7.1	4.0
Industrials	23.5	4.1
Information Technology	23.8	0.2
Materials	6.5	4.9
Real Estate	4.3	3.0
Utilities	0.6	-0.6

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

Genus Plc: The bull case for pig genetics (2.5% of NAV)

£1.6bn market capitalised Genus plc is not your typical SAAS business. As a leading animal genetics firm providing what Bronte Capital cleverly dubbed "Semen as a Service" to industrial farmers globally, it operates in a decidedly unglamorous corner of the market. Yet beneath this prosaic exterior lies a business with strong economic characteristics and an unusually visible and predictable growth opportunity that we believe represents a compelling investment.

The power of compound genetics

Genus operates through two divisions: the Pig Improvement Company (PIC) for porcine genetics and ABS Global for bovine genetics. The company's value proposition is simple yet extremely powerful, especially when compounded over time.

Through selective breeding of elite livestock that demonstrate superior traits - litter size, feed efficiency, growth speed, and survivability - Genus creates increasingly productive farm animals over successive generations.

The results speak for themselves. Since 1970, Genus pigs have improved from requiring 3.8kg of corn per kg of pork to just 2.2kg - a 42% efficiency gain that translates directly to farmer costs. At roughly $1.50 per piglet, genetics represent only 1-2% of input costs while delivering approximately $4 of incremental profitability per pig compared to the next best competitor's offerings. When farmers typically earn $5-15 profit per head, this differential is transformational.

The business model differs meaningfully by species, with important implications for returns and defensibility. Ironically, it's the porcine business that's proven to be the real cash cow, while bovine genetics have been something of a pig's breakfast. Cattle genetics generate upfront fees through semen sales, while pigs follow a more sophisticated approach: Genus sells live animals at modest margins but earns high-margin royalties on each piglet weaned once genetics are embedded in customer systems. This royalty model temporarily obscures the underlying momentum of the business - much like software transitions to SAAS subscription models, where upfront revenue is traded for longer-term recurring income. It typically takes around four years for Genus' genetics to be fully embedded in a customer's production system, during which time revenue will significantly lag the traditional upfront model. But once established, the result is a highly predictable, capital-light revenue stream that should command a premium valuation. We estimate roughly 90% of ex-China porcine volumes now operate under the royalty model, delivering exceptional customer stickiness, with retention rates of around 99%.

The investment cycle is also turning in Genus' favour. Capital expenditure averaged over £30m per year from 2022-2024, running well above depreciation, primarily to develop the PIC supply chain in China. With this build-out now largely complete, the heavy R&D phase of the gene-editing programme (see discussion later) finished, and legacy patent litigation (dating back to 2014) resolved, we expect materially improved cash conversion in the years ahead.

Moats in the barnyard

The competitive dynamics here are striking. Switching costs for customers are prohibitively high, particularly for pig farmers. When it comes to Genus' genetics, farmers have to go the whole hog - contracts prohibit mixing genetics, meaning farms must depopulate their entire herd before rebuilding with new stock, a costly and time-consuming process. Additionally, different genetics thrive under different operational conditions, making any transition operationally complex.

New entrants face equally daunting barriers. Building the extensive supply chain, multiplier farm partnerships, and customer relationships that Genus has cultivated over decades would require enormous capital and time, all while overcoming the company's multi-generational genetic advancement lead. As the largest player in porcine and second largest in bovine globally, Genus has built a trusted brand that reinforces these structural advantages.

The China opportunity: from headwind to tailwind

Recent share price weakness has been driven by multiple factors: poor cash conversion, substantial upfront R&D investments, and weak bovine performance. These challenges have been compounded by difficult market conditions in China and an excessive valuation during the early COVID period. After African Swine Fever created an oversupply of pigs, farmers dramatically reduced their pig herds, resulting in far lower genetics spend. With around 35% of Chinese volumes under the royalty model at the time, PIC China revenues fell 40% in one year, triggering a 75% share price decline.

However, several developments suggest this cycle is turning. The hog-to-corn ratio - a key profitability indicator - has climbed back above 6x, signalling producers will expand herd sizes. More importantly, Genus has accelerated its shift toward the royalty model in China, doubling royalty customers to 26 in FY24 and adding seven more year-to-date in FY25. As explained earlier, numerous royalty contract wins provide high visibility for future growth, but will have limited impact on near term financial performance.

The opportunity remains compelling: China accounts for roughly 50% of global pig volumes but only 12% of Genus' revenue. The market is also professionalising rapidly, with the top 10 pork producers' market share rising from 7% in 2018 to 18% in 2022, largely displacing "backyard" farms that don't use genetics providers.

ABS - now a much leaner animal

While PIC has been a star performer, ABS — the bovine business — has historically delivered modest returns on capital. The issues were largely self-inflicted: bloated structure, inefficient geographic coverage, and weak incentives for new client acquisition. In 2023, ABS revenue per employee was less than 25% of PIC's.

New management is now addressing these problems. The Value Acceleration Programme targets £21m in annual savings – over double ABS' pre-programme operating profit of £10m. Sales incentives have been restructured, overhead has been trimmed, and a new COO is leading the effort.

Early signs of delivery are good, and these efforts could unlock meaningful operating leverage if successful. Encouragingly, management indicated to us that if performance remains subpar, a sale or restructuring of the business is firmly on the table. Either way, the strategic approach to ABS now appears far more disciplined and value-conscious than in the past.

The gene-editing wildcard

Perhaps the most intriguing upside lies in Genus' exclusive rights to a gene-edit that makes pigs resistant to Porcine Reproductive and Respiratory Syndrome (PRRS) - a global disease that causes smaller litters, higher mortality, and weaker offspring. Experts estimate PRRS costs the industry roughly $5–6 per pig on average.

Using CRISPR technology, Genus removes the CD163 section of DNA that the virus binds to, making pigs immune to PRRS. Industry insiders have dubbed this gene-edit "the Holy Grail," suggesting competitors will struggle to develop alternatives. Management plans to charge an incremental $1.50 per piglet - matching current charges while generating 90% incremental margins. Given the scale of global pig production, this opportunity could easily be worth Genus' entire current market capitalisation.

US regulatory approval in April 2025 was a major milestone, but commercialisation still faces significant hurdles: international regulatory sign-off, PRRS-resistant herd build-out at customer farms, and consumer acceptance. We won't count our piglets before they hatch, but the gene-editing potential is enormous, and we believe the market is giving modest credit to this opportunity.

Bringing home the bacon

If our thesis proves correct, Genus will soon face an enviable problem: substantial cash generation with limited organic investment opportunities. The company currently returns a conservative 40% of earnings to shareholders via dividends, while maintaining disciplined leverage expected to reach a comfortable 1.6x EBITDA by year-end. While M&A remains possible, including expanding into adjacent animal lines, we believe shareholders would be best served by a systematic share buyback programme, capitalising on the current undervaluation.

Thinking through the risks

The key short-term risk is tariffs. Agricultural trade tensions - particularly with China - could disrupt volumes. That said, past episodes offer some reassurance: when China imposed 62% tariffs on US pork in 2018, PIC volumes ex-China still grew 5%. Genus' global footprint gives it some insulation, albeit market shares vary by region, and timing mismatches to substitute supply could still create short term pain.

Longer-term risks include lab-grown meat. But we view scalable cultured protein as decades away due to unresolved cost and regulatory challenges. IP theft is also a concern, but Genus' genetics quickly become obsolete without continuous updates, and farmers have little incentive to steal IP given its low cost and high ROI. Structural shifts in protein demand (e.g. ageing populations and healthier diets) may weigh at the margin - but are likely to be more than offset by professionalisation and consolidation in global farming.

Superior breeding at a reasonable price

Trading at just over 20x our next twelve months' earnings estimate (against its 10-year average multiple of c. 33x), Genus offers the rare combination of defensive characteristics, multiple growth drivers, and reasonable valuation. With China recovery, operational improvements at ABS, potential gene-editing upside, and underlying growth in global protein demand, we see a path to high-teens annualised returns through 2029 and likely beyond.

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	-1.5	2.6	1.7	1.1	3.2						**10.9**
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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