

Ennismore Global Smaller Companies Fund

Investor Newsletter for the month of December 2025

Issued on 16th January 2026

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 121m as at 31st December 2025. Total assets under management by Ennismore Fund Management were GBP 412m. We currently have capacity available in the Global Smaller Companies 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 December 2025

	Share Class ¹					
	GBP	GBP A	EUR	CHF	EUR I	USD I
NAV per Share ²	15.41	15.33	15.39	13.45	11.21	12.09
	% Change					
December 25	-1.5	-1.5	-1.4	-1.8	-1.7	-1.5
2025	4.0	4.0	-0.7	-1.5	0.2	3.8
Annualised return ³	4.8	4.7	4.8	3.3	1.5	2.8
Since launch ³	54.1	53.3	53.9	34.5	12.1	20.9

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. 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.

Important notice

As of 1st January 2026, we have made two changes to the Fund. First, the name – we are now the Ennismore Global Smaller Companies Fund. Our approach isn't changing; we are simply adjusting the name to more accurately reflect the portfolio construction. The median position in our long book is currently about USD 4bn market cap. For context, the smallest company in the S&P 500 has a market cap of c. USD 5.6bn, and the median company in the MSCI World Index is c. USD 22bn.

Whilst the underlying philosophy and investment approach between the two Ennismore Funds are very similar, the Global Fund is differentiated from our European Fund in both its geographical profile and the company size and liquidity. Both Funds traffic mainly in small and medium-sized, under-researched businesses, with portfolios that look very different to your typical absolute return fund. However, the somewhat larger company size and the global universe means that the global product can accommodate more assets than the European one.

This is linked to the second, and more interesting, change. To reflect the difference in profile vs. the European Fund, we have adjusted the fees for the Global Fund, in three ways:

- The standard management fee is reduced from 2.0% to 1.5%
- We have launched a large investor share class, with a management fee of 1.0%
- We have introduced a cash hurdle rate for the performance fee for all share classes

It should also be noted that, whilst we have reduced management fees, we have also introduced the ability for the Global Fund to be charged for research. The budget agreed with the Fund board for 2026 research costs equates to c. 0.25% and we would expect this value as a percentage of NAV to decrease substantially as the Fund grows. Overall, we feel these changes reflect a fair and, we hope, attractive pricing point for investors which will leave them substantially better off over time.

It's nice to have some good news to share, as recent Fund performance is unfortunately more January blues than Christmas cheer.

Q4 performance

In December the Fund returned -1.5% in Sterling and for the fourth quarter -4.1%.

Our long book contributed negative 4.8% in the fourth quarter in GBP, on average exposure of 109%, for an implied return of negative 4.4%. BBB Foods Inc. – the Mexican discount grocery retailer – was the largest contributor, adding 0.5% to returns, after reporting continued very strong like for like sales in the third quarter. The list of detractors is unfortunately longer. Baltic Classifieds Group plc cost us 1.4% after two profit warnings – albeit both modest – played into the narrative of online classifieds being disrupted by AI. We have examined this argument in detail in this letter. We don't believe the disruption narrative has any relevance to these warnings, which relate to a larger than expected impact from a change to Estonian car tax legislation. Auto Trader Group plc also cost 1.1%. The company moved to scale up its online retailing proposition ("Deal Builder"), seeking to enable the option to "reserve with Autotrader" for all inventory. After a dealer backlash management has had to pull back and add some optionality into the Deal Builder transition. The platform has seen some churn in the ensuing weeks, but our tracking suggests some recovery since the new year. We believe the market has overreacted, but we'll be carefully monitoring the situation in the coming months. We provide a fuller update on Auto Trader as well as the broader classifieds discussion later in the letter. Wise plc cost the Fund a further 0.7% in the quarter after investors reacted poorly to management delivering on its promised step-up in investment. With growth accelerating we believe the company is seeing a return on these investments and expect patience to be rewarded with strong results in the coming quarters. Again, we provide an update later in the letter.

The short book made a modest contribution of 0.2% in the quarter, with an implied return on capital for the portfolio of negative 0.5% on average exposure of 42%. No individual name contributed or detracted more than 50bps in the period.

Our positioning is broadly similar to last quarter. We ended the year 110% long and 43% short, compared to 106% long and 41% short at the end of Q3. Our beta adjusted net exposure at c. 40% is materially lower than our simple net exposure of 67%, as is typical for us.

Year in review – could do better

After a decent first half of the year, the second half was disappointing, particularly from the end of August, since when we lost 5.0% net, in GBP. This was a period when the market continued to do well, with Europe relatively strong. With our c. 65% net long positioning and European skew this sounds like a good set-up for us. Our poor performance since the end of August was all down to our long book, which cost the Fund 6.8% on a gross basis, offset by a positive contribution by the short book of 1.2%.

For the year, the long book contributed 12.6% to the Fund in local currencies, but currency movements (mainly USD and JPY) reduced this by almost 3 percentage points. FX also eliminated our yield on cash for the year (which is held across currencies). Shorts detracted just over 2%. We've said before we don't have strong views on currencies, and this remains the case. Sometimes FX will help us (as in 2022), other times it will hurt, like this year. On a local currency basis, our long-short spread was about 8% points for the year. This is not good enough, but after six months where a decent chunk of our portfolio has been punished relentlessly without much evidence (see discussion below) and where retail investor speculation ran riot, we are encouraged to have delivered positive spread. The benefit of a tough period in the long book is that the valuation of the portfolio now looks very appealing. We look to the year ahead with confidence.

What has happened?

Our disappointing year in the long book reflects both genuine mistakes and a market environment hostile to our style, at least in the second half. Errors of commission include Calumet (which we discussed in our [January](#) and [March](#) letters), Azelis, where we misjudged the impact of tariffs and Chinese overcapacity, and Dye and Durham, where we overestimated the ability of activists to realise value. Thematically, we've been wrongfooted by very strong performance in banks and defence stocks, and by minimal exposure to AI infrastructure plays like memory chips. These absences mainly reflect either longstanding portfolio skews (we've never invested much in banks) or questions of edge (we don't see advantage in forensically probing AI supply chains for momentum trades from 15x to 25x revenue in businesses with little long-term predictability). However, we are disappointed not to have capitalised more on the AI build-out where there are numerous

examples of quality businesses with predictable revenue models that have defensible competitive positions and have seen their earnings power transform as capacity has tightened – gas turbines being an obvious example.

As we analyse the year our volume of idiosyncratic errors of omission is larger than normal. Reviewing the names that made it into the pipeline, but we never invested in, is a little painful. To use a football analogy, it is reassuring to be creating chances which is clearly a major predictor of longer-term success, but we will probe this conversion rate failure for any lessons we can draw to adapt our process and are confident we can reward our loyal clients substantially in the years to come.

The year's dominant theme has been physical vs. digital. Digital businesses initially outperformed as tariff fears led investors to treat them as safe havens. Sentiment reversed sharply as AI disruption fears broadened beyond the obvious early casualties (call centres, stock photos, simple education tools) to wider sectors including software, digital advertising, and business information. Meanwhile, physical businesses became refuges from AI risk, supported by infrastructure build-out and economic nationalism. For us, the main casualties have been online classifieds (Auto Trader, Baltic Classifieds, plus modest hits from TX Group AG and Grupa Pracuj SA), Wise, Paradox Interactive AB, and some software holdings. We cover Wise and Paradox in our review of the top five holdings. Here we turn to classifieds, which warrant extended discussion.

As of 31st December, we hold eight long positions in classifieds representing 11% of NAV, less a small short position, making this one of our largest business model exposures. The market has rendered a harsh verdict over the past six months – share prices are down 30-50% and valuations have halved from historical norms. The bear case rests on the premise that AI agents will make classified portals obsolete, just as Google destroyed the yellow pages.

The parallel is uncomfortable. Ennismore held directories positions in 2008, so we know firsthand how such disruptions unfold and where shareholder value gets destroyed. The question now is whether classifieds face the same fate. Given the portfolio weight and the gap between market pricing and operational reality, we think this debate deserves thorough examination.

What follows is longer than our typical discussions, long enough that some readers may wish to skip straight to our write-ups of our top five long positions. We lay out the bear case at full strength before explaining why we think it's substantially wrong. The analysis matters because at current valuations, even a partial revaluation would be material to Fund returns. To start, we need to understand how the original Yellow Pages disruption actually unfolded.

How slowly the obvious can unfold

Yahoo launched in 1995, Google in 1998. By 2002, "google" as a verb was named most useful word by the American Dialect Society. Google reached USD 200bn market cap by 2007. Yet Yell – holding a UK directories monopoly plus major US assets – peaked at ~USD 16bn enterprise value in late 2006 / early 2007. UK revenues peaked in calendar 2007. Even more remarkably, Solocal (French yellow pages) still offered nearly USD 1bn market cap to short as late as 2018, on top of hundreds of millions in debt. This is more than a decade after Google's dominance was established, and a full decade after the iPhone made mobile search convenient.

Of course, until the iPhone launched in 2007, physical directories' convenience was a plausible defence – search wasn't practical on handheld devices. And there was hope that online migrations might succeed. Still, the peak coming in early 2007 is striking – Yell's revenue growth was clearly slowing by 2006, and margins compressing. What ultimately killed these businesses was the combination of smartphones bringing the internet to people's hands, financial crisis prompting ad spend reappraisals, and leveraged balance sheets.

What allowed disruption? Counter-positioning dynamics. Online offerings were clearly superior for end users (instant updates vs. static annual volumes, visual richness vs. text-only) and dramatically cheaper for advertisers as start-ups had no legacy pricing to defend. Directories were probably always going to be consumed by Google, but newspapers could have held onto classifieds franchises – Schibsted did in Scandinavia – but doing so required self-cannibalisation and years of lower revenues.

Shareholders were wiped out not by technology but by leverage. These businesses generated material cash flows for years after decline became obvious, but it all went to debt service. Eventually lenders became owners, sometimes more than once!

This history matters. Disruption is real but rarely as fast as narratives suggest. And capital structure determines who survives even when business models don't.

The bear case: five threads of disruption

The existential risk to classified platforms from AI agents rests on five interconnected mechanisms. We state these at full strength – partly because they're genuinely concerning, partly because it's vital to be intellectually honest when probing your own thinking.

First, discovery shifts to the agent layer. Users stop visiting portals because AI agents offer superior search, articulating complex intent through natural language – "quiet neighbourhoods with natural light" captures criteria that traditional filters cannot. The agent compounds this by continuously scanning the market and proactively alerting users, eliminating both the "daily habit" of active searchers and the hours of engagement from "property porn" (the average Australian spends 40 minutes monthly on realestate.com.au even when not househunting).

Second, prominence monetisation becomes obsolete. Classifieds predominantly monetise through "prominence" – featured placements and homepage exposure. When an AI agent evaluates listings, it ranks based on objective quality and relevance to user criteria. Paying for "top position" is meaningless to an algorithm. With well over half of revenue typically derived from premium products, the risk is material.

Third, liquidity concentration erodes. The portal moat is built on liquidity: buyers visit because vendors list there, and vice versa. AI aggregation threatens this. Unlike previous meta-search attempts, AI agents can present listings scraped from multiple sources – Rightmove, Zoopla, individual agent websites – in unified interfaces. If the AI becomes the preferred demand interface, the platform is no longer the habitual starting point, and for instance estate agents' willingness to pay GBP 1,500 monthly for "reach" diminishes significantly.

Fourth, platforms reduce to commodity infrastructure. The ultimate risk is transaction disintermediation, where platforms become mere data providers for the AI's workflow. Brand loyalty transfers to the AI layer (ChatGPT etc.) rather than the portal. This mirrors travel aggregators like Skyscanner capturing value while underlying suppliers compete on data access fees – though Booking.com and peers remain dominant in hotel booking. If the platform becomes "necessary but invisible" infrastructure, it faces severe margin compression as it loses the direct customer relationship.

Finally, incumbents face structural inertia. Even if they attempt to pivot, they face classic counter-positioning. A genuine shift to AI search that highlights "best matches" directly undermines the prominence products driving their revenues. Furthermore, portals are legally and competitively constrained from aggregating rivals' listings whilst AI agents are not. While OpenAI has no revenue to defend, incumbents have processes targeting legacy KPIs and face market pressures discouraging disruptive experimentation.

This case is coherent and scary. It's also, we believe, substantially wrong.

Why we think the bear case is wrong

While the bear case is seductive, we believe it overstates several key dynamics of the nature of classified search and underestimates the structural barriers protecting incumbents. The market is currently pricing in a high probability of disruption that lacks evidential support.

1. History Warns Against Over-Confident Disruption Narratives

In July 2009, Google integrated property listings into Google Maps across the UK, US, and Australia. It brought the world's dominant search engine, billions of users, and zero cost to consumers – at a time when Rightmove's network effects were far weaker than today. By February 2011, Google shut it down citing "low usage."

The failure wasn't technological; users preferred the purpose-built portal experiences and Google's offering didn't offer enough to make people change their habits. Even map-based search – which Google's entry forced Rightmove to adopt as a "killer app" in 2010 – has never exceeded 10% of Rightmove's search activity. The current LLM excitement echoes 2009's map-search hype: a technological shift that doesn't solve users' primary problem.

2. Verified Inventory Trumps Advisory Capability

We need to distinguish between "advice" and "inventory." LLMs handle the former well; portals dominate the latter. An LLM can synthesise static information – helping users understand trade-offs between car models or whether Clapham suits their lifestyle. But successful classified search requires live, accurate listings.

The advisory component is typically one-off and upfront. Once you've decided on a three-bedroom house near Walthamstow station, you don't need AI to repeatedly suggest Clapham. You need every available listing in your target area, updated in real-time as properties move to "sold STC." This was part of the issue with Google's 2009 attempt: scraped listings go stale, whereas portals maintain direct API relationships with agents ensuring data integrity. The advisory value of AI is real but complementary to portals, not substitutional.

3. Non-Syndicated Supply Creates Structural Gaps in AI Aggregation

Professional agents multi-list across platforms, but private sellers typically choose a single platform – normally the dominant incumbent. In Germany, roughly half of property listings come from private vendors. In Lithuania and the Baltics, consumer-to-consumer listings are prominent across verticals.

Portals are actively blocking LLM scraping through technical and legal means. If this succeeds, AI agents cannot offer comprehensive market views, even if they manage to contract with the professional players. An AI missing half the available inventory can't be a superior search tool. This makes companies like Baltic Classifieds and Scout24 with high private seller volumes more defensible than superficial analysis suggests.

4. Multi-Sided Lock-In Creates Coordination Problems

In markets like UK, German and Baltics property, the moat is a triangular lock-in between vendors, agents, and buyers. A big part of agents paying Rightmove GBP 1,500/month is to be able to reassure prospective vendors: "Your home will be on the site where 80% of buyers start their search."

Few vendors will instruct agents who are absent from the dominant portal – they can't risk missing the vast majority of buyers. This forces all agents onto the platform, ensuring almost all inventory, guaranteeing buyers return. Breaking this is very challenging; it would likely require a really significant migration of traffic to LLMs before agents were willing to pull their Rightmove subscription given its importance in attracting vendor mandates.

5. High-Stakes Decisions Resist Black Box Delegation

Property and car purchases are major decisions with severe downside asymmetry. London's average house price approaches USD 1 million; 5-10%+ transaction costs mean mistakes cost tens or hundreds of thousands to rectify.

Most people will be reluctant to delegate major life-altering decisions to black box algorithms. Perhaps younger generations trust algorithms more than we assume. But car and particularly property search isn't purely utilitarian, it's also entertainment. The "browse-and-dream" behaviour on platforms like realestate.com.au suggests property search serves emotional and social needs beyond transaction efficiency.

More fundamentally, AI can match stated preferences but cannot account for subjective deal-breakers or emotional responses to space. Visual assessment remains paramount – browsing dozens of photos, scrutinising floorplans, sensing whether a space "feels right." This doesn't mean portals can't be disrupted, but it suggests the "AI replaces browsing" narrative overstates how quickly behaviour changes for high-stakes, emotionally loaded decisions.

This argument is a little weaker for cars, where inventory is more homogeneous and emotional attachment lower. But GBP 17k – the median listing price of a used car on Auto Trader – is still a very material outlay for the vast majority of buyers.

6. The Natural Structure Is Partnership, Not Displacement

OpenAI and other LLM developers have competitive advantage in general intelligence, not in operational infrastructure of local markets. Building and maintaining classified platforms requires capabilities these companies systematically avoid: managing thousands of relationships with estate agents, car dealers, and recruiters across dozens of markets; verifying listing accuracy and handling stale or fraudulent data; providing customer service when transactions fail; navigating local regulatory requirements; building trust with professional intermediaries who control supply.

These are operationally intensive, unsexy tasks. They don't scale globally. Tech giants entering vertical markets have a poor track record. Google's 2009 property search failure is one example, but Google has failed in other areas such as price comparison too. Facebook Marketplace succeeded to some extent in consumer-to-consumer goods but never threatened vertical specialists in property, jobs, or cars, and is now being displaced by Vinted in general goods in many European markets. And Meta has far more experience with messy operational complexity than OpenAI does.

The Zillow-ChatGPT partnership validates this view. When OpenAI integrated property search in the US, it partnered with Zillow rather than attempting to displace it – and this in a market where inventory is a commodity via the MLS. This revealed that OpenAI needed Zillow's credibility and agent relationships more than Zillow needed OpenAI's traffic.

The strongest version of the bear case is that #2 or #3 players – Scout24, Zoopla, immoweb – get desperate enough to prostitute themselves to AI platforms cheaply, feeding their inventory in the hope of bootstrapping traffic and breaking the incumbent's lock. This is a genuine risk, though it faces practical obstacles: (a) agents would still need to pay the weaker portal for listings, limiting their incentive to undercut; (b) the AI platform still needs to solve the operational challenges of data quality, customer service, and transaction support that we've described above; and (c) the dominant incumbent is better placed to negotiate such deals, as it has more brand credibility and better economics, and thus is a more attractive counterparty. We watch for this – it's the most plausible disruption pathway we see – but so far partnerships like Zillow-ChatGPT suggest LLMs want to associate with the primary brands in a vertical, rather than the economically most desperate.

For dominant incumbents, the key strategic question is how to integrate AI into their own platforms. The bear case imagines a binary outcome where external AI agents replace portals. The more likely scenario is that incumbents build AI-powered search experiences that complement and build on their existing filtering systems.

This makes both technical and economic sense. Platforms will invest in much more active and comprehensive tagging of listing photos and attributes, enabled by AI technology. They'll identify "natural light," "period features," "sea-view", and hundreds of other characteristics. Conversational search then becomes primarily a translation layer: the AI extracts user intent from natural language queries and converts it into the platform's (much more granular than today's) filter infrastructure. A user asking for "quiet Victorian houses with gardens near good schools" triggers a query against structured tags, not a generative LLM call for every search.

This approach is faster, more effective, and dramatically cheaper than routing every query through large language models, and the incumbents – with their enormous historical databases – are much better placed to deliver it than new players. It also keeps the user on the platform rather than outsourcing discovery to ChatGPT or Claude. While portals might partner with LLMs for the conversational interface layer, the underlying search architecture remains theirs – meaning they maintain the customer relationship, control the user experience, and capture the transaction value. Margin pressure from LLM licensing costs is possible, but this is quite different from existential disruption where portals become invisible infrastructure providers for someone else's customer relationship.

7. Jobs: Monetising the Solution to the Problem AI Has Created

The jobs vertical illustrates how AI could strengthen rather than weaken incumbents. Application volumes have multiplied as AI-generated cover letters collapsed the cost of applying. Recruiters now drown in high-quality "spam" – the signal-to-noise ratio has collapsed.

The recruiter's urgent problem has shifted from reaching candidates to filtering them. This significantly increases incumbents' value. Platforms like Indeed, Grupa Pracuj, or Saramin possess years of historical data on candidate

behaviour, selectivity, and interview conversions. They can identify whether candidates are "spraying-and-praying" or carefully selecting roles, screening for genuine intent in ways new AI entrants cannot match.

While LinkedIn's Easy Apply button encouraged this noise, focused job portals are now pivoting toward providing the filtering solution. Pracuj, for example, is developing matching engines to improve applicant success rates and deliver manageable shortlists of high-intent candidates. Given these companies currently charge employers only 1-2% of a starting salary while executive search commands 20-30%, the pricing headroom to charge for this filtering capability is immense.

Meanwhile, we understand employers themselves are blocking LLMs from crawling their careers sites to manage the spam problem and avoid risks that have emerged – LLMs sometimes direct candidates to roles that have already been filled, or hallucinate false salary ranges and benefits, leading to difficult conversations. This could be a structural barrier to the scraping model. And with millions of employers around the world, each with different compliance requirements and technical architecture, the challenges of scalability re-emerge.

The other dimension of AI risk is suppressed hiring volumes. Operating performance across the industry is currently subdued as hiring rates remain weak after the Covid boom. If AI-driven automation meaningfully reduces workforce requirements, the addressable market volume shrinks regardless of competitive positioning. However, the large pricing opportunity we outlined could well be sufficient to offset modest TAM compression. Rather than disrupting jobs classifieds, AI may have created a more valuable problem for incumbents to solve.

Where's the evidence?

Six months into the AI revolution, the operational data doesn't support the disruption narrative. Traffic across our classified portfolio is growing. Premium package adoption continues increasing. What's notably absent: declining traffic, customer defection to AI tools, or pricing pressure.

Recent headlines from several holdings have reinforced the AI narrative in investors' minds, but close examination reveals unrelated execution issues or exogenous changes. Baltic Classifieds issued three profit warnings in H2 2025 driven by Estonian car tax legislation disrupting transaction volumes and modest upticks in product development spending – not shifts in user behaviour toward AI agents. Rightmove's margin compression from 75% to 68% reflects strategic reinvestment in platform improvements, including AI feature integration, and some broadening beyond the residential estate agency core. Reading between the lines, we think there's some overdue catch-up spend on tech architecture too. We don't find this concerning – it's vital for Rightmove to maintain product leadership, particularly when the competitive outlook is noisier than in the past. Traffic and engagement remain at record levels, which is what matters. Auto Trader's recent Deal Builder debacle was self-inflicted – a poorly implemented product change. The subsequent dealer revolt arguably highlights competitive strength: dealers protested to demand more nuanced treatment from a platform they need, not because they found alternative traffic sources.

We recognise this is genuinely uncertain. We could be wrong – the bear case might prove correct on a longer timeframe than six months, or disruption might accelerate suddenly rather than gradually. But the current pricing suggests the market has already convicted these businesses, and we think that's premature at best.

The valuation opportunity

Many of these businesses now trade at mid-teens multiples of forward earnings – nearly half their decade-long average of 25-30x. The market is pricing them almost as if they are the "Yellow Pages" of 2007, but the comparison fails on the most critical metric for survival: the balance sheet. Unlike the directories which were hollowed out by debt service, our classified holdings are fortress-like, with net cash balance sheets. Combined with near-100% cash flow conversion and ongoing growth, we think the risk-reward has become very compelling.

We expect the strong network effects and deep integration of dominant classifieds players into their customers' workflows to sustain their roles in the ecosystems they serve, supporting medium-term profit growth of around 10% for our holdings. This would deliver a sustained high-teens return even without any re-rating.

We see the probability of wholesale disruption as low given the structural barriers we've outlined but recognise the market may remain sceptical for some time. This creates opportunity for long-term shareholders. Auto Trader and Baltic Classifieds have each repurchased roughly 2% of their outstanding shares since the end of October – a full year's buyback activity compressed into two months. If narrative-driven selling continues, accelerated repurchases will create a lot of long-term value. We are happy to let the companies Hoover up their own stock at 15x earnings while we wait for evidence, rather than fear, to drive the valuation. Private equity validates this view: deals for Adevinata Spain, La Centrale, Property Finder, and Yad2 since the summer have closed at material premiums to current public market valuations. If public markets continue to misprice the companies, we think it likely private capital will step in, adding optionality to the investment case.

Top Five Contributors and Detractors for December 2025

Contributors	Bps	Detractors	bps
Assecos Poland SA	37	Baltic Classifieds Group Plc	-51
Money Forward Inc	17	Paradox Interactive AB	-47
Formula Systems 1985 Ltd	15	Auto Trader Group Plc	-31
Secure Trust Bank Plc	14	Polish retailer	-27
Hong Kong software company	11	Grupa Pracuj SA	-23

Top Five Long Holdings as at 31st December 2025

Company	Country	Sector	% of NAV
Wise Plc	United Kingdom	Financials	4.6
Paradox Interactive AB	Sweden	Communication Services	4.0
Spirax Group Plc	United Kingdom	Industrials	3.9
D'ieteren Group SA	Belgium	Consumer Discretionary	3.4
Auto Trader Group Plc	United Kingdom	Communication Services	3.4
			19.4

Exposures as at 31st December 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
109.9 (110.9)	43.2 (43.1)	153.1 (153.9)	66.7 (67.8)

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 December 2025

Country	Gross%	Net%
United Kingdom	33.7	29.3
United States	31.5	-6.9
Japan	13.6	12.4
Sweden	13.0	6.1
France	8.2	0.9
Belgium	6.6	6.6
Poland	5.8	1.9
Canada	4.9	4.1
Italy	3.4	1.7
South Korea	3.1	3.1
Spain	3.0	1.2
Germany	2.7	1.5
Austria	2.7	1.8
Cayman Islands	2.7	1.6
Israel	2.5	1.8
Luxembourg	2.3	1.9
Australia	2.2	-1.5
Switzerland	2.0	-1.8
British Virgin Islands	1.9	1.9
Netherlands	1.6	0.5
Jersey	1.2	-0.2
Other	4.6	-1.0

Market Cap	Gross%	Net%
>\$50bn	12.2	6.3
\$20bn - \$50bn	7.0	-2.2
\$2bn - \$20bn	75.7	32.5
\$500m - \$2bn	42.1	18.4
<\$500m	16.0	11.8

Positions	Dec	Nov
Long	131	128
Short	119	126
Longs Opened	7	5
Longs Closed	4	4
Shorts Opened	3	13
Shorts Closed	10	13

Sector	Gross%	Net%
Communication Services	30.0	22.6
Consumer Discretionary	19.7	6.7
Consumer Staples	12.9	2.2
Energy	1.2	1.2
Financials	20.2	13.1
Health Care	8.4	4.6
Industrials	29.9	8.9
Information Technology	22.2	3.7
Materials	6.6	3.8
Real Estate	1.9	-0.1

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

Top five long position updates

We have included below short updates on our top five long positions as of 31 Dec 2025. Each of these businesses dominates its respective market, generating high margins and returns on capital and between solid (Spirax, Paradox) and exciting (Wise) growth. One of these companies trades at just 12x our estimate of 2026 earnings, none for more than 20x. We think they are compelling.

Wise plc – UK foreign exchange and payments business (4.6% NAV)

We discussed Wise at length in our September [letter](#), so won't rehash the full thesis here. As anticipated, the November interims showed continued strong volume performance – H1 cross border volume was up 26% in constant currency, vs. +19% in the same period last year. The market's reaction was surprising to us: the stock fell despite management delivering exactly what they said they would, bringing margins down toward their 13-16% target range through increased investment in hiring and marketing. The hiring pace was admittedly ahead of previous guidance, which investors can read as either a worrying sign for future profitability or evidence of management confidence in their growth initiatives. We lean toward the latter interpretation.

The Platform business continues to impress. Volumes reached just over 5% of the total in H1, up from around 4% for the full prior year. We estimate Platform volumes are growing at roughly 70% annualised, substantially driven by the Morgan Stanley partnership. Platform's rapid growth will allow Wise to hit its 15-20% growth target in future with a progressively smaller contribution from the core business. Or if the core continues to deliver, Wise could beat the plan.

Remitly Global, Inc. is a listed peer of Wise. Its December investor day materials were instructive. Though the customer bases barely overlap – Remitly targets remittance customers, Wise mainly more affluent professionals and expats – Remitly is now pursuing the same strategic priorities: building a wallet product and expanding into business customers. This validates Wise's approach, but Wise enjoys substantial advantages. The Wise Account launched in 2019 and is now used by over 50% of customers; Wise added 35k business customers last quarter against Remitly's celebrated total of 10k. More fundamentally, Wise's heritage and positioning among affluent professionals makes it better suited to business offerings – we would expect the unit economics of a Wise business customer to be stronger than Remitly's equivalent.

The competitive dynamic is playing out as you'd expect: Wise's growth is accelerating as Remitly's decelerates, and Google Trends shows Wise steadily gaining share of mind across virtually every region.

Our tracking data supports the view that management's accelerated hiring reflects confidence rather than desperation. We estimate that yoy growth rates have picked up by several percentage points since the summer across both transfers and card activity, consistent with a business seeing real momentum. At an enterprise value of below GBP 7bn – well above 7% free cash flow yield and about 4% of cross-border volume, both near historic lows – the risk-reward looks compelling. Wise remains our largest position.

Paradox Interactive AB – Swedish video game publisher (4.0% NAV)

We outlined our Paradox thesis in last December's [letter](#). The stock has had a tough year, down around 20% and badly lagging indices, partly hurt by the market's broader scepticism on the impact of AI on software businesses. The company itself, we think, has had a decent one.

The big event was November's release of Europa Universalis V, the first major new version of a core franchise in quite some time. The critical reception was very positive and user reviews broadly favourable, though not without complaints. The AI is apparently too easy to defeat, making gameplay repetitive, and extended campaigns can become buggy in later stages. Steam user numbers have dropped off sharply from the launch peak. That said, the game's ambition and scope are widely recognised, and even critics seem to expect it will become a franchise-defining release once developers have responded to community feedback. We estimate 650-700k copies sold so far – probably par for this stage, barely two months into what will likely be a decade-plus lifespan.

It's worth remembering not to over-interpret early data for ambitious games with long shelf-lives. CD Projekt shipped Cyberpunk 2077 in December 2020 despite it being unfinished, desperate to catch Christmas sales after three delays. Sony pulled it from the PlayStation store, gamers called it unplayable, and Steam concurrent users collapsed from over 1 million at launch to around 15k monthly at the trough. But major patches in 2022-23 delivered on the game's promise. It's now widely praised, monthly users have recovered to 65k, and CD Projekt says it was their most profitable release ever over the initial five-year window, with over 35 million units sold against 14 million at launch. EU V is nowhere near as disappointing a release – the point is we won't properly know its success for another year or maybe even more. The scope and ambition, assuming the issues are solvable (and we're confident they are), signal strong future potential.

Q4 also brought well-received updates to Crusader Kings III and, more importantly, Cities: Skylines 2 – probably the portfolio's biggest source of untapped potential. The Cities franchise has moved to a new development studio with a more iterative, community-focused approach, and the Q4 DLCs landed well enough that the sequel has finally overtaken the original in regular users.

Vampire the Masquerade: Bloodlines 2 was a damp squib, but we're unbothered. The development costs will be impaired in Q4, and Paradox will fund no additional development beyond two committed DLCs. This means the cash flow inflection we've been anticipating has arrived. We expect a year of clean, high-margin growth in 2026. At roughly 7% free cash flow yield, with strong franchises, growing active users, and optionality on new franchise development or acquisitions, we see this as too cheap.

Spirax Group plc – UK engineering services company (3.9% NAV)

Spirax is a new position for us in 2025. It's a high-quality UK engineering business with three divisions: Steam Solutions (STS), Watson Marlow, and Electric Thermal Solutions (ETS). The company has one of the best track records of consistent profitable growth in its sector, built on an asset-light model, a strong technical sales force delivering high customer ROI in STS, and WM's dominant position in a niche within the structurally growing biopharma market.

Our thesis is straightforward: multiple storms are clearing as we enter 2026, and markets are underestimating the financial impact of the approaching sunny skies.

Start with Watson Marlow. Like many biopharma suppliers, Spirax experienced a Covid-driven boom-bust cycle, followed by a multi-year inventory unwind that only stabilised in 2025. Watson Marlow's profits are down over 40% from peak. We

believe underlying growth in this segment runs around 10%, perhaps higher, which implies 2026 biopharma demand should be at least double 2019 levels. Current sales run only 40-50% above 2019 because customers have been drawing down the enormous stocks they built up – we estimate 2021 orders were close to double underlying demand. Now destocking has ended across the sector (Sartorius Stedim, Danaher, and Merck have all reported solid growth over recent quarters), but the inventory bullwhip hasn't fully played out. Our modelling suggests biopharma sales could grow 30% in 2026, well ahead of management's high single-digit guidance. With roughly 50% incremental margins, this alone could drive earnings 10% above consensus for the group.

In China, Spirax's large and historically successful STS business has suffered from the extended industrial recession. The headline numbers mask a critical detail though. In 2023, 60% of Chinese STS revenue came from Projects, which are tied to capital budgets and have collapsed alongside the broader downturn. Meanwhile maintenance revenue – tied to operating budgets – has continued growing at double-digit rates. Analysts still cite the 60% Projects figure, as did management as recently as November, but we estimate maintenance is now 60% of Chinese revenue. With the Projects decline also slowing, we think Chinese STS is very likely to return to growth in 2026 and soon become accretive to the overall segment, which would be much more positive than the market expects. The Chinese business generates high margins too, so this turnaround will have a disproportionate impact on profit.

Finally, ETS sells into semiconductors, which peaked at 18% of segment revenue before collapsing to 10% in 2024. AI-driven capacity expansion in both leading-edge and memory chips should provide a meaningful tailwind over the next couple of years – the revenue stream is small from a group perspective but semiconductor cycles are sharp, so the growth could be fast enough to provide a meaningful group tailwind.

The combined impact of these three recovering end-markets could be substantial. We estimate Spirax could deliver significantly above current consensus, yet at a high-teens multiple of our 2026 estimates the stock trades at a modest premium to the market despite its quality and growth record. Spirax issued a neutral Q3 update in November. The March full-year results should confirm what our radar is showing: a much brighter outlook.

Auto Trader Group plc – UK automotive classifieds business (3.4% NAV)

We've owned Auto Trader several times during the Fund's life. Until recent months it served us very well – through end-June 2025, the position contributed almost 4% to the Fund over two ownership periods, with an annualised return on capital of over 20%. Given the AI discussion above, it's worth addressing Auto Trader's specific situation.

Beyond the general AI considerations, Auto Trader faces a more tangible strategic challenge: the risk that someone transforms the used car transaction experience. If a merchant like Carvana in the US, or an alternative aggregator, can genuinely improve how people actually buy cars (as distinct from researching them), this could be disruptive. We estimate Carvana now accounts for double-digit share of young used car transactions in its most mature US markets like Atlanta. While Cazoo failed in the UK, cinch continues with backing from Constellation Automotive Group which also owns WeBuyAnyCar, BCA – the UK's dominant car auction operation – and Marshalls Motor Group, a traditional dealership. The problem with a single dealer achieving meaningful scale is that Auto Trader could become an optional channel. Carvana uses classified sites in the US, but selectively.

Auto Trader's answer is Deal Builder, which allows consumers to reserve cars, agree trade-in prices, obtain binding finance quotes, and arrange delivery – all on Auto Trader's site. The experience isn't as seamless as a single retailer offers, but a mature version should substantially blunt the merchant threat. The trouble is that after 18 months, Deal Builder remains immature. Adapting to its implementation requires major process changes from dealers, and its very aim – simplifying transactions for consumers – conflicts with dealer preferences to maintain influence over the sales process. The clumsy rollout has prompted a significant dealer backlash.

Perhaps Cazoo's failure and cinch's struggles are part of the problem. Without a Carvana-style success story in the UK, dealers don't feel the existential pressure to digitalise that they otherwise might. Auto Trader is trying to advance the consumer experience but is constrained by needing to keep dealers – who pay the bills – on side.

The company has also faced a revenue headwind from speed of sale. With new cars much more expensive post-Covid (especially on finance as rates rose) and used supply constrained by reduced production during 2020-22, used stock has been flying off the forecourts. Auto Trader sells monthly slots, so faster sales mean lower advertising costs per car. Speed of sale running roughly 10% faster than historic levels has weighed on revenue growth. This is transient though – we've seen these variations before. Either dealers reprice to trade speed for margin, or the higher new supply now flowing through will normalise this over the next year. Speed of sale stabilised in the autumn, and for the first time was slower yoy in December.

Management appears to believe the market has overreacted. The company has been buying back stock more aggressively than ever.

The stock trades at the lowest valuation since IPO at about 15x forward earnings, priced for stagnation despite a history of high single-digit growth and potential inflection points over the next couple of years – whether from Deal Builder maturing or speed of sale normalising.

D'Ieteren Group SA – Belgian holding company (3.4% NAV)

We last wrote on D'Ieteren in [September 2024](#) at c. EUR 195, just after the family shareholding reorganisation sent the stock plunging. Adjust for the EUR 74 special dividend in December plus regular dividends and the stock has returned roughly 25% since. Decent, but we think there's considerably more to come.

The group now carries significant leverage at the subsidiary level. Main asset Belron had net debt of EUR 8.4bn at the half year, whilst smaller subsidiaries TVH and Parts Holding Europe (PHE) both carry material debt of their own. Combined with modest holding company borrowings where substantial net cash sat a year ago, the jump in interest charges will weigh on reported group earnings versus 2024. The operational fundamentals tell a different story though. PHE continues growing profits whilst reducing debt and increasingly looks like an excellent acquisition. D'Ieteren Automotive, the Belgian car retail operation, maintains very strong margins, albeit likely above sustainable levels. And Belron – which trades under brands like Safelite and Autoglass – looks poised for a growth recovery in the US whilst generating strong cash flows that have enabled faster-than-expected debt reduction.

The Belron recovery is another lagged impact of Covid. Car insurance premiums initially fell with empty roads, then as traffic recovered alongside the inflation surge, insurers overcompensated. US car premiums have risen 50-60% from the late 2021 trough. Policyholders responded by avoiding insurance claims – including for windscreen replacement – to protect their rates. The impact was stark: LKQ – the largest supplier of recycled and aftermarket car parts in the US – has reported repairable claims down cumulatively over 30% since 2022, with the first half of 2025 seeing the steepest declines. But premium inflation has now moderated sharply, and Boyd Group, an American collision repair group, noted by Q3 2025 that "industry conditions are normalising". Belron's US volumes should inflect from here, providing an additional tailwind alongside the continued ramp of camera recalibration.

Belron's competitive position remains formidable. The friendly middleman dynamic we outlined in our March 2023 [letter](#) – where insurers rather than the end customers pay the bill and prioritise service quality, reliability and turnaround time over price – continues to work in Belron's favour. We haven't previously discussed the third-party administration side. Until this year, Safelite handled claims processing for 24 of the top 25 US car insurers. It now has all 25 after State Farm switched to Safelite over the summer.

At today's share price of EUR 169, the market cap is roughly EUR 9.1bn. Back out EUR 4.5-5bn for non-Belron assets and you're valuing D'Ieteren's 50% Belron stake at EUR 4.0-4.5bn, implying an enterprise value of EUR 16-18bn for the whole Belron business. Minority shareholders transacted at EUR 32bn enterprise value just over a year ago, and bull-market IPO rumours have floated a EUR 50bn valuation. Viewed this way we're buying a dominant, high-margin windscreen business with structural growth tailwinds and a cyclical US headwind reversing, at little more than 10x EBIT.

Or viewed as a group: at 12x our 2026 earnings with scope for double-digit growth, this looks compelling. The holding company discount should narrow with a Belron IPO, which looks increasingly likely. It's been over four years since the

second PE transaction and IPO markets have thawed, so we'd be surprised if the PE owners don't try to realise their investment within the next 12-18 months.

Monthly percentage return for the GBP A share class of the Global Smaller Companies 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	-1.4	-0.9	-0.3	-2.4	-1.5	4.0
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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