

Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2025

Issued on 7th July 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 238m as at 30th June. Total assets under management by Ennismore Fund Management were GBP 431m. 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 June 2025

	Share Class ¹				
	GBP A £	GBP A €	GBP B	EUR A	EUR B
NAV per Share ²	167.69	195.76	28.34	27.99	28.13
	% Change				
June 25	1.2	-0.5	1.3	-0.1	-0.2
2025 to Date	8.1	4.4	8.2	4.2	4.1
Annualised return ³	11.3	10.5	7.5	7.4	7.4
Since launch ³	1608.6	1290.1	183.4	179.9	181.3

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.

Performance Summary

The GBP A class gained +1.2% in June while the EUR A class was broadly flat -0.1%. Over the quarter, the GBP A class gained +2.6% whilst the EUR A class gained +0.5%. On a gross approximate basis, the long portfolio contributed +3.2% in June, whilst the short book detracted -1.8%. Stock selection was positive on the long side, however the short portfolio was held back by news flow on two names.

On the long side, Costain +17%, +0.8% contribution, the UK engineering and infrastructure company, continued its recent run of positive performance as the company gave an upbeat trading statement and cited new opportunities in segments such as nuclear power and water. The company also announced a share buyback program and an improvement in the position of its defined benefit pension scheme. Secure Trust Bank +13%, +0.4% contribution, continued its strong recovery from the December lows which were triggered by the UK vehicle finance industry regulatory investigations. Whilst a final ruling from the Supreme Court is not expected until July, the FCA's announcement of a redress scheme has removed some of the uncertainties facing industry participants and has helped sentiment. Secure Trust also announced a new CEO which was well received by investors.

On the short side, our position in a UK semiconductor technology company +19% detracted -0.6% after the company was acquired in a USD 2.4bn deal. Whilst we viewed the business as a low-quality producer of commoditised components, we had clearly underestimated the attractiveness of its data centre products to larger players looking to leverage the current AI data centre boom. The takeover is almost certain to proceed hence we have closed the position. Our short position in a French technology company detracted -0.5% after the company announced further partnerships with a larger retailer. We maintain our view that the company has a myriad of questionable accounting practices combined with our lack of faith in both the ultimate viability of the company's main product and the economics of their major contracts.

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

²Source: Administrator, Net Asset Value.

³Since 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's largest country net long exposures remain in Germany and the UK. In Germany, sparked by the recent changes in the German fiscal framework, we are seeing more investor interest in a number of high quality but previously ignored small cap names we own. In the UK, we see a range of good quality businesses at historically compelling valuations which, in our view, are overly depressed by the subdued macroeconomic backdrop. Whitbread is one such business and we discuss the company in more detail below.

Top Five Contributors and Detractors for June 2025

Contributors	bps	Detractors	bps
Costain Group Plc	78	UK semiconductor technology company	-60
Trigano SA	40	French technology company	-47
Secure Trust Bank Plc	40	Swiss industrial company	-37
UK technology hardware company	31	Ultimate Products Plc	-32
Amadeus Fire AG	26	UK footwear company	-25

Top Five Long Holdings as at 30th June 2025

Company	Country	Sector	% of NAV
EVS Broadcast Equipment SA	Belgium	Information Technology	3.6
SAF Holland SE	Germany	Consumer Discretionary	3.2
Secure Trust Bank Plc	United Kingdom	Financials	3.0
Amadeus Fire AG	Germany	Industrials	2.8
Trigano SA	France	Consumer Discretionary	2.7
			15.3

Exposures as at 30th June 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
77.9 (83.4)	36.7 (43.8)	114.6 (127.2)	41.2 (39.6)

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 June 2025

Country	Gross%	Net%	Market Cap	Gross%	Net%	Sector	Gross%	Net%
United Kingdom	31.6	22.4	>£5bn	11.6	0.1	Communication Services	5.8	4.7
Germany	23.3	19.6	£1bn-£5bn	27.2	7.8	Consumer Discretionary	22.6	6.5
France	13.6	8.8	£250m-£1bn	53.4	16.6	Consumer Staples	8.9	-0.1
Sweden	8.5	-2.4	<£250m	22.5	16.6	Financials	11.1	10.3
United States	6.0	-5.4				Health Care	4.5	3.7
Italy	5.8	3.4				Industrials	29.5	6.3
Switzerland	4.7	-4.7				Information Technology	20.8	2.1
Belgium	4.2	3.8				Materials	5.1	3.9
Finland	2.4	-1.0				Real Estate	5.1	5.0
Norway	2.3	-1.8				Utilities	1.2	-1.2
Austria	2.2	0.4						
Luxembourg	2.0	0.4						
Denmark	1.7	-1.4						
Hong Kong	1.3	-0.7						
Netherlands	1.3	-0.9						
Other	3.8	0.6						

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

Whitbread – UK hotel & restaurant group (1.0% position)

With a market capitalisation of GBP 4.9bn, Whitbread, the owner of Premier Inn, is the largest hotel brand in the United Kingdom and Ireland and is also a leading hotel operator in Germany. We have followed the company for a long time and liked it very much when Whitbread sold Costa Coffee in 2018 to return cash to shareholders, focusing on its core brand, Premier Inn. After the severe interruption of the pandemic and an unfortunate dilutive capital increase, we see the strong focus on returns and shareholder value very much in place again and are surprised that the market does not appreciate this at present. In fact, considering the value of the freehold property estimated at around GBP 5bn, investors are paying very little for the core operational business, which we believe enjoys a competitive edge in its domestic market largely driven by scale, a high share of direct distribution, and a strong 'value-for-money' brand. Additionally, Whitbread has established itself as a key player in the German market with significant growth potential. The shares are trading at a discount to historic valuation despite management's plan to unlock value from its real estate and the German operations starting to turn profitable. We believe the current UK macroeconomic headwind is the major driver for the valuation discount, and we regard this as a temporary window of opportunity for Whitbread to gain market share from weak independent players and for us to build a long-term position in the company.

Whitbread has come a long way since its founding in 1742 as a London brewery by Samuel Whitbread and becoming at one time the largest UK brewer. In the 1970s and 80s, it diversified into restaurants and hotels and had a very busy period in the 90s buying a variety of different businesses. This strategy was subsequently reversed by a two-decade long divestment process which led to Whitbread becoming a focussed hotel operator and the largest hotel brand with a 12% market share and over 850 hotels in its core UK market. The final stage of these divestments was the sale of Costa Coffee to Coca-Cola in 2018 for GBP 3.9bn, of which GBP 2.5bn has been returned through share buybacks, with the remaining amount used for paying back debt and funding the pension scheme. Whitbread has established Premier Inn as a very strong local brand that is benefitting from excellent brand awareness and a value-for-money reputation which has attracted a loyal customer base. This enables Premier Inn to keep a very large share of direct distribution, circumventing high commissions from the likes of Booking.com. Additionally, the business is benefitting from its sheer scale, being the largest player in a still fragmented market, where Premier Inn is gaining from independent players exiting. We regard the UK and Ireland operations as a mature business and think management is focusing on the right initiatives. With a large freehold property portfolio worth around GBP 5bn and lots of mature and profitable sites, management is recycling cash through sale and leaseback operations where the property can be sold off at attractive yields of 4% and investing the extracted cash into high-margin new developments such as London area hotels. Additionally, Whitbread still operates restaurants off and onsite and has started to close low-margin operations as well as converting those onsite to high-margin hotel rooms - owning the property enables this flexibility. Its pure scale helps Premier Inn to cope with higher inflation and wages, optimising processes, and taking out costs to counter these increases. This should lead to sustainably higher operating margins, and indeed management is targeting a 15% return on capital employed, up from its historic average of 12%. When the strategy of the Accelerated Growth Plan was announced early last year, shares were still trading higher on the back of a good 2023, having fully recovered from the pandemic. However, with weak economic growth in the UK, high public debt and limited fiscal headroom, trading has been weak in its core market and shares have come down to historic low valuations. We do not know when we will see an inflection point in trading, but we are sure that Premier Inn can count on its strength and is gaining market share, especially from independent players who are struggling in this environment. Additionally, its reputation for value for money should continue to benefit from consumers trading down.

Whitbread sales declined -1% to GBP 2.9bn and underlying operating profit decreased 14% to GBP 483m in fiscal year 2024/25 ending February. This trend has not yet reversed, with recent first-quarter results driven by the UK, being down -3%, with revenue per available room under pressure. Total revenues show a roughly flat picture thanks to the German business growing strongly. Today, Germany accounts for 10% of total revenues, having grown from scratch in 2016. Total invested and committed capital of GBP 1.3bn is by no means reflected in its valuation and is currently perceived by many investors as bad capital allocation. We take a different view and think that Premier Inn has great potential to replicate its success in the UK in the long run. After failing to acquire its closest peer in Germany, Motel One, management decided to grow its German business organically through new developments and acquisition of existing hotels. The pandemic

provided an opportunity to acquire many existing hotels while the whole industry was still struggling. This growth has enabled Premier Inn to become one of the largest premium budget hotel chains in Germany, which is a very attractive market. The German market is 40% larger than the UK but is still much more fragmented with a high share of independent players at around 60% (vs 40% in the UK), and a strong inbound market driven by trade fairs and domestic leisure. As of last year, the German business with 62 hotels and 11k beds generated revenues of GBP 231m and earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) of GBP 66m. In Germany, Motel One operates just about the same number of hotels but more rooms. The founder of Motel One has recently sold off his stake to PAI Partners and extracted the freehold properties into a separate property group. While we have only limited financial insight, we estimate that if a similar transaction multiple were applied to Whitbread, it would result in a fair value of GBP 9.6bn, representing 90% upside to its current share price.

We think there is a large discrepancy between what Whitbread would be valued at in a private market transaction and the current valuation the public market is applying to it. We regard this as a great opportunity with an attractive risk/return profile given its high-quality hotel business, conservative balance sheet with low net debt of GBP 483m, strong value in its freehold property and long-term growth potential in Germany, which we see as the real underappreciated growth driver. On the ground in Germany, we have witnessed the rapid growth of Premier Inn in recent years, and we believe that Premier Inn's branding fits very well with German consumer preferences. In our view, it has the potential to grow substantially and become the largest premium budget hotel brand in Germany. While we wait for the market to recognise this value, we are rewarded with a 3.5% dividend yield and further share buybacks, which management plans to execute up to GBP 2bn until fiscal year 29/30, equating to returning cash at a rate of 8%. Additionally, management is targeting GBP 300m of incremental operating profit stemming from above-mentioned initiatives over the same time frame. Based on our estimate of this year's underlying net operating profits of GBP 350m and a return to the historic average multiple of 20 times enterprise value to net operating profits after tax, excluding leasing liabilities, we believe the shares offer upside of at least 30% over the next 12 months. We see more upside potential when the Accelerated Growth Plan results come through and Germany turns sustainably profitable.

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							8.1
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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Under normal circumstances, as defined within the Prospectus, the Fund may charge up to 3% of the net asset value of any redemption to cover the costs associated with managing the redemption process, including the sale of assets within the Fund to generate the required cash. Currently this redemption charge is set at 2%, with proceeds retained by the fund. Ongoing costs (Management fees and other administrative or operating costs) 2.17% pa. as at 22/08/2024.

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