

Ennismore Global Equity Fund

Investor Newsletter for the month of June 2025

Issued on 9th July 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 140m as at 30th June 2025. Total assets under management by Ennismore Fund Management were GBP 431m. 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 30th June 2025

	Share Class ¹					
	GBP	GBP A	EUR	CHF	EUR I	USD I
NAV per Share ²	15.93	15.84	16.19	14.29	11.70	12.51
	% Change					
June 25	1.1	1.1	-0.2	-0.1	0.9	1.1
2025 to date	7.5	7.5	4.5	4.6	4.6	7.4
Annualised return ³	5.5	5.4	5.7	4.2	2.3	3.5
Since launch ³	59.3	58.4	61.9	42.9	17.0	25.1

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.

Amidst highly volatile markets across equities, FX, fixed income and commodities, the Fund delivered a positive return in Q2, with both the GBP +5.6% and EUR classes +3.6% gaining. On a gross local basis, the long book contributed +14.2%, whilst the short book detracted -4.0%. On a normalised local basis, the long book returned +13.7% whilst the short book returned +8.4%, resulting in a long-short spread of 5.3% and outperformance on both sides of the book. Positive stock selection in the long book was the largest driver of returns over the quarter, with net long positioning in the UK and Japan also providing a modest tailwind as both countries outperformed. The Fund's performance exhibited low sensitivity to broader equity markets with the correlation of the EUR class to the MSCI World EUR Index realising 0.31 over the quarter.

The largest long contributors in the quarter were Vend (formerly known as Schibsted, +0.8%), Admiral (+0.7%), Flutter (+0.7%) and Ryanair (+0.6%). Admiral (+19%) has been receiving upgrades from analysts following solid full year results and announcing the sale of its US motor insurance division to JC Flowers. Flutter (+29%) reported solid results driven by its US FanDuel business. The company's North American segment posted robust expansion—with quarterly revenue up around +39% year-over-year and adjusted EBITDA growth of approximately +51%. FanDuel further solidified its dominance in the US market, capturing roughly 59% of net gaming revenue in newer states and expanding its lead in iGaming, thanks in part to successful new product offerings and platform improvements. Ryanair (+29%) rallied as the airline continued to recover from last year's pricing weakness triggered by a spat with online travel agents. Q4 (March) fares rose approximately +15% and management has guided Q1 pricing to improve by +4-5%. The falling oil price and tight cost controls insulated profits and low exposure to some of the geopolitical hotspots have also helped the airline avoid the challenges faced by industry peers. The company also resumed a major share buyback program.

The top detracting names in Q2 came from the short side, in particular the more speculative lower quality companies in our 'deception' category, as speculative parts of the market led the rebound. Our deception category covers lower quality corporate behaviours, from overly optimistic financial targets or over-hyped business models and growth potential, through to aggressive accounting manipulation, lack of management integrity and outright fraud. Whilst this theme has been profitable over the long run, it is subject to periodic bouts of euphoria. That said, we are pleased that our short-side risk management framework, which is heavily focused on managing these risks, helped to ensure that overall, the

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.

inevitable detractor from these names in such a period did not derail the Fund's overall return and the overall short portfolio actually lagged behind the MSCI World Index (i.e. delivered modest alpha in the quarter).

We added several new long positions over the quarter, including two Swedish companies; **Karnov Group**, the information services provider, which we believe stands to be a major beneficiary of AI related workflows and **Hemnet**, the real-estate portal. Karnov is a high-quality, subscription-led business operating in a niche of legal and regulatory information services where customer retention is high, pricing power is strong, and barriers to entry are meaningful. In its core Nordic markets, it commands dominant market positions and 40%+ operating margins. The recent adoption of Karnov's AI tools – priced at a 30% premium to standard licences – is accelerating revenue growth, as legal professionals see clear ROI from improved efficiency; the cost of a licence is a fraction of a junior associate's salary. This makes Karnov one of the most compelling, tangible AI beneficiaries we have seen in public markets today. The company is also mid-way through integrating acquisitions in southern Europe that came with lower margins and slower growth. However, with clear synergy targets and group-wide cost savings, Karnov is on track to lift margins materially from 22% to 30%+. Product innovation, which had lagged in the new markets during integration, is set to accelerate over the next 12 months – supporting a recovery in revenue growth. Despite its stable cash flows and enjoying similar structural tailwinds, the shares trade at a steep discount to peers like Thomson Reuters – both on earnings and sales multiples – offering valuation upside as the benefits of AI monetisation and margin expansion become more visible.

We also exited a number of long positions including **Calumet, Dye & Durham & IAC**. Net exposure stood at 67% (vs 63% in March), and gross exposure at 154% (vs 141% in March). As usual, beta adjusted net exposure is materially lower, at around 30%-40%.

Reflecting on a quarter which started with a geo-political induced tariff panic and culminated with the return of excessive speculation in low quality names, we are pleased to have delivered a positive return and a healthy long-short spread. As the quarter progressed and earnings season got underway, it was pleasing to see positive earnings and bottom-up developments from our long book ultimately drive returns. Looking forward this leaves us confident in the robustness of the current portfolio construction.

Top Five Contributors and Detractors for June 2025

Contributors	Bps	Detractors	bps
Asseco Poland SA	28	French technology company	-37
Flutter Entertainment Plc	26	US food producer	-21
Melrose Industries Plc	23	Just Group Plc	-20
Karnov Group AB	21	Hemnet Group AB	-17
Nice Information Services Co Ltd	20	US insurance company	-13

Top Five Long Holdings as at 30th June 2025

Company	Country	Sector	% of NAV
Nelnet Inc	United States	Financials	3.6
Auto Trader Group Plc	United Kingdom	Communication Services	3.5
Vend Marketplaces ASA	Norway	Communication Services	2.9
Spirax Group Plc	United Kingdom	Industrials	2.7
Paradox Interactive AB	Sweden	Communication Services	2.5
			15.3

Exposures as at 30th June 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
110.4 (107.7)	43.9 (43.0)	154.4 (150.7)	66.5 (64.8)

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 30th June 2025

Country	Gross%	Net%
United States	41.1	-7.1
United Kingdom	28.3	25.4
Japan	12.0	11.8
Sweden	11.8	6.3
France	7.4	-2.2
Canada	6.8	5.5
Germany	6.3	3.7
Belgium	4.6	4.6
Norway	4.0	3.6
Hong Kong	3.5	2.2
Poland	3.4	0.8
Italy	2.1	1.1
Luxembourg	1.9	1.2
Ireland	1.8	1.8
South Korea	1.6	1.6
Switzerland	1.6	-1.6
Australia	1.5	-1.4
Israel	1.4	0.2
Philippines	1.2	1.2
Singapore	1.2	1.2
Mexico	1.2	1.2
Uruguay	1.1	1.1
Bermuda	1.1	1.1
Austria	1.1	-0.3
Lithuania	1.0	1.0
China	0.9	0.9
Other	4.3	1.5

Market Cap	Gross%	Net%
>\$50bn	16.9	11.0
\$20bn - \$50bn	6.6	-0.3
\$2bn - \$20bn	77.8	25.9
\$500m - \$2bn	35.0	15.1
<\$500m	18.1	14.8

Positions	Jun	May
Long	119	114
Short	103	106
Longs Opened	6	14
Longs Closed	1	5
Shorts Opened	12	5
Shorts Closed	15	8

Sector	Gross%	Net%
Communication Services	29.7	24.9
Consumer Discretionary	20.8	8.9
Consumer Staples	10.1	-2.2
Energy	1.8	-0.1
Financials	21.4	17.1
Health Care	7.9	3.5
Industrials	24.4	5.6
Information Technology	23.9	0.2
Materials	8.8	5.1
Real Estate	4.8	4.1
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.

Holdcos to “controlledcos”

One of our most deeply held investment beliefs is that looking to the horizon helps us to focus on what is important and makes us more likely to make sensible decisions. We naturally gravitate towards companies with a similar mindset, where patient capital can flourish – businesses controlled or heavily influenced by shareholders who think in decades. We wrote in December 2022 about our approach to [holdcos](#), which at the time comprised around 15% of the portfolio. We noted then: “two unifying features of these positions are share prices at significant discounts to underlying value, and control or de facto control by a long-term founding shareholder.” But holdcos are merely one expression of a broader theme that accounts for around half of the names in our long book: companies with a significant, influential or even controlling, and genuinely long-term shareholder – “controlledcos”. For context, this is much more than the broader equity market. Having examined a representative sample of over 400 Russell 3000 companies, we estimate almost 75% of public companies have dispersed ownership.

This influence manifests in various forms: founder CEOs who maintain a controlling stake; non-executive founders who retain significant influence, later generations of the founding family, large shareholders with long-term perspectives and active governance roles (such as TCI at Safran and Cellnex), and private equity shareholders post-IPO, albeit many PE firms lack the truly long time horizons we find most compelling.

Addressing the objections

Such companies have a mixed reputation with investors. Some shun them because there is less chance of a takeover premium. Others are put off by the complexity of controlledcos, which are frequently conglomerates (particularly when family ownership extends beyond the founder). It’s worth noting the irony that fund managers who actively promote the benefits of diversification to their own investors often shun companies with diversified operations. A more valid concern for long-term investors are potential governance issues such as entrenched failing management, nepotism, or wasting

shareholders' capital, without much scope for activists or other shareholders to force a change. These are important concerns, and we obviously don't want to align ourselves with companies which exhibit these behaviours.

We encountered such issues recently when evaluating KWS Saat ("KWS"), a German family-controlled company whose sugar beet seeds business is a rare gem that we would love to own. This business enjoys c. 70% global market share, has grown revenue by 9% p.a. over the last 10 years and increased margins from 20% to over 40% as new innovations have been steadily adopted at significant price premiums. KWS is trying to break into the lucrative vegetable seed market. It proclaims on its website: "We think in generations, not quarters". Perhaps we are not looking far enough out, but on a 10-15 year horizon we are unable to identify the economic logic of what looks to us like a prestige-chasing exercise. Since spending EUR 400m on a spinach seed business in 2019 which has a EUR 60m revenue run-rate and is currently barely profitable, KWS has burnt c. EUR 50-100m per year building infrastructure and organically developing products in the high value vegetable markets it is really targeting – tomatoes, peppers, cucumbers, melons and watermelons. Management hopes for the vegetable seeds business to become profitable in the early-2030s and has a long-term aspiration to achieve 5% global market share in what is today a roughly EUR 8bn market. When we pressed investor relations on the economics, their response was revealing (paraphrased): "We don't have a return on capital target for this... When will we recover the investment that we are making? It's not a question that we are discussing... The considerations are more "What does it take to build a relevant presence in that market?". On current evidence, the vegetable seed venture is less of a cash crop and more of a lemon, notwithstanding the company's ambitions in melons. We would love to own KWS' sugar beet business but can't get comfortable with what is likely to happen with the cash flows this business generates.

Given the sceptics' reasonable concerns and examples such as this, why do we like companies with controlling or highly influential block holders? Our attraction rests on both empirical evidence and qualitative logic. The data is compelling: controlled companies and those with explicitly long-term orientations outperform their dispersed-ownership or more 'short-term' peers by significant margins across multiple studies and time periods^{4,5,6}. Qualitatively, whilst there are plenty of counter-examples, more often than not these companies tend to exhibit three characteristics which align perfectly with our approach: robustness rooted in extended time horizons, thoughtful approaches to risk management, and disciplined capital allocation. As value-focused investors, we recognise that market prices can deviate substantially from company fundamentals over shorter periods, but we believe they converge toward intrinsic value over time. This convergence requires patience and discipline – qualities that controlled companies possess in abundance.

Playing the long game

Consider the countless situations where long-term rationality conflicts with short-term pressures. Properly integrating acquisitions can be extremely painful and often depresses near-term results – a bit like renovating a house while living in it – though the end-result is typically worth it. Structuring debt for robustness rather than optimising for the lowest possible cost may increase current interest expense, addressing technical debt in software systems, experimenting with emerging technologies, responding to disruptive threats – all require short-term sacrifice for long-term gain.

If you owned a business outright, the choice in each scenario would be obvious: focus on the future and accept the immediate costs. But professional managers in dispersed ownership companies often face different incentives. They live in fear of stock market myopia and the existential threat of ejection or takeover if their share price languishes. This creates what we might call the "quarterly earnings tango" – a frantic dance where everyone knows the steps are silly, but nobody dares to quit the dancefloor.

The logic applies equally to pursuing opportunities. Developing new products, business lines, or entirely new ventures requires investment with uncertain payoffs. It means forgoing immediate returns in the hope of cultivating transformative future growth. Again, controlled companies tend to demonstrate superior patience with experimentation and investment compared to their dispersed peers. We believe this is because the horizon for meaningful returns often stretches beyond

⁴ *Family Business Growth Around the World, Entrepreneurship Theory and Practice, Miroshnychenko et al, 2021*

⁵ *The secrets of outperforming family-owned businesses: How they create value—and how you can become one, McKinsey 2023*

⁶ *Measuring the Economic Impact of Short-Termism, McKinsey, 2017*

the tenure of a typical CEO, and because stock markets tend to punish losses from new ventures at similar multiples to core business profits, even when management retains the option to shut down unsuccessful experiments. The market, it seems, has trouble distinguishing between a "failed experiment" and "incompetent management" – rather like judging a gardener by a seed that didn't sprout.

We saw this dynamic clearly at Wise's recent capital markets day. Founder-CEO Kristo Käärman and his team presented a long-term roadmap that was unusually expansive by European standards, extending well beyond the typical product cycle. Many management teams present five-year plans with a lack of enthusiasm; the Wise team's clarity and excitement about the company's future were refreshing. Particularly striking was the presentation by Nilan Patel, who outlined early-stage ambitions within Wise's business segment — including the potential evolution into adjacent services such as merchant acquiring. The company does not disclose how much capital it allocates to these more distant initiatives, but its strategic horizon suggests a founder with both the authority and the patience to invest many years ahead of payback. It is difficult to imagine such a roadmap being presented – let alone pursued – under a conventional, tenured CEO regime. There are other similar examples across our portfolio: Admiral Group has persisted for over a decade with the organic development of international insurance operations, admittedly with mixed success, and Paradox Interactive has quietly nurtured Paradox Arc — a VC-style initiative aimed at building a new franchise from scratch — for several years.

The discipline of saying no

Equally important is what controlled companies choose not to do. In some businesses — luxury, for instance — the short-term profit-maximising strategy can directly undermine the long-term franchise. Luxury houses must preserve brand integrity, uphold the highest quality standards, and maintain a sense of scarcity to retain their appeal across generations. The temptation to chase growth — through over-expansion, fashion-chasing, or pushing down into more accessible price categories — is always present. This may help explain why many of the world's most successful luxury companies are controlled by founding families or anchor shareholders. A multi-generational perspective instils restraint. Owners thinking in decades are more likely to resist strategies that risk long-term erosion even if they promise substantial short-term gains. Balance sheet conservatism is a common example: controlled companies often prioritise optionality and capital resilience over financial engineering.

Warren Buffett captured this ethos succinctly at Berkshire Hathaway's 2019 annual meeting:

*"the one thing you should very definitely understand about Berkshire is that we run the business in a way that we think is consistent with serving shareholders who have virtually all of their net worth in Berkshire... we want to make money for everybody, **but we want to make very, very sure that we don't lose permanently money for anybody that buys our stock somewhere around intrinsic business value**"*

Conservative financial management is not only about preserving wealth – it also enables aggressive action at the right moments. Downturns are when the best companies often make their greatest strategic strides: exploiting distracted or overleveraged competitors, stepping up competitive intensity, or acquiring assets on the cheap in dislocated markets.

For long-term owners, the importance of capital discipline is hard to overstate. A company retaining earnings equal to 10% of book value annually will have deployed half of the capital at work in the business in just the last seven years. For those thinking in decades, how that capital is deployed becomes almost the only thing that matters.

The owner's edge: why capital discipline matters

Capital discipline is not easily defined. We use the term capital discipline deliberately – to encompass more than just large capital allocation decisions. It includes day-to-day frugality, clarity about opportunity cost, and resistance to incremental bloat.

A particularly vivid example of capital discipline in action is Xavier Niel's transformation of **Millicom**, the Latin American telecom operator, in which we acquired a position after he began to effect change. Upon building his stake, Niel replaced

Millicom's senior management and pushed through cost reductions of a third or more across both operating and capital expenditures, dramatically improving cash generation. He has also led a flurry of disposals, acquisitions, and partnerships that have sharpened the company's strategic positioning. Although consensus expects revenue in 2025 to be marginally lower than in 2023, operating income is expected to rise 60%, margins by almost 10 points, and free cash flow from 0% to approximately 15% of revenue. This example demonstrates the potential when a high-agency owner applies rigorous capital discipline and insists on operational efficiency.

Judging capital allocation quality is hard to do from the outside — but we suspect you'd know within a few board meetings whether a company truly gets capital discipline. In our view, the markers include:

- non-emotional decision-making
- probability-based frameworks and base rate awareness
- flexibility across deployment options
- standardised evaluation tools
- ambitious but disciplined hurdle rates
- clear opportunity cost thinking
- alignment of incentives
- structured post-investment review processes

One of the problems for minority shareholders in public companies is that capital allocation – arguably a CEO's most important job – is one for which many are ill-equipped. As Warren Buffett observed at Berkshire Hathaway's 1994 annual meeting:

“Probably relatively few chief executives are either trained for, or are selected on, the basis of their ability to allocate capital... So, I've said it's like somebody playing the piano all their life, and then getting to Carnegie Hall and they hand him a violin.

And so many CEOs, when they get there, think they can solve it by either having a staff that does it, or by hiring consultants, or whatever it may be. And in our view... that's a terrible mistake... if you can't do it yourself, you're going to make a lot of mistakes... you wouldn't want anybody in any other position of that importance in the company essentially saying, “I don't know how to do this, so I'm going to have somebody else do it,” when it's their key responsibility.”

In dispersed ownership companies, boards often don't challenge CEOs effectively enough on these issues. Controlled companies, by contrast, are more likely to have an owner who deeply understands what's at stake — and who sees the company's cash flows not as tools for signaling short-term performance, but as family treasure. That difference in mindset, and in influence, changes everything.

We have started two new positions recently which were prompted by a change in ownership which we expect will be beneficial for long-term shareholders.

Asseco Poland and magnetic hurdle rates (2.0% position)

In February we initiated a position in Asseco Poland (“Asseco”), a leading Polish vertical market software (VMS) company with a market capitalisation of EUR 4.5bn.

Founded in 1991 by Adam Goral – who remains CEO and the largest shareholder – Asseco has grown revenue and operating profit by 158x and 103x respectively since its 2004 IPO, partly through the execution of more than 150 acquisitions. The company now employs over 34,000 people across 60 countries.

Asseco builds and operates highly specialised software for niche or regulated sectors. VMS, unlike horizontal tools such as Microsoft Office, is tailored to the workflows of a specific industry or function. VMS for a hotel might manage guest reservations, staff schedules and maintenance/repairs, for instance. In Asseco's case, ZUS, the largest IT system in Poland

— covers social insurance payments for 2.8 million people and processes over 11% of the country's GDP across its 230 modules.

We've long admired the VMS model for its economic defensibility: high switching costs, mission-critical functionality, and relatively limited market size — characteristics that deter new entrants (especially given that much of the market is already served by incumbents) and enable pricing power. These qualities are evident in Asseco's metrics: 78% of revenues come from proprietary software and services; nearly 60% of revenue is recurring; and customer retention exceeds 90%.

Our interest in Asseco was catalysed by the acquisition in January of a substantial stake by Topicus, a listed subsidiary of Constellation Software — arguably the most successful capital allocator in software over the last three decades. Constellation's long-standing strategy is to acquire and hold VMS businesses. It has executed this with remarkable success, compounding value at 35%+ annualised rates since its IPO in 2006.

Constellation's model is not just about making lots of acquisitions. The company has scaled disciplined capital deployment through decentralisation. Hundreds of business unit managers are given significant autonomy to drive deal origination and execution within a standardised framework. Hurdle rates for reinvestment typically range from 20–30%, and managers are rewarded based on capital deployed and return on capital achieved. Importantly, the majority of after-tax bonuses must be used to purchase Constellation shares on the open market — creating strong alignment with shareholders. Over time, access to benchmarking data across more than 1,000 acquisitions allows Constellation to refine best practices in pricing, cost discipline, and capital allocation.

We believe Topicus's involvement will drive a material shift in Asseco's strategy and financial profile — with greater pricing discipline, higher operating margins, and an even more ambitious, higher-return M&A strategy. We confirmed this during a recent visit to Warsaw where we spent the day with Asseco's management team.

As Constellation's founder Mark Leonard observed in a 2019 response to a shareholder question, the firm's high hurdle rates are arguably not a constraint but an asset:

“Our performance has been exceptional despite (and perhaps because of) our high hurdle rates.”

Leonard challenges the conventional assumption that lower return targets mechanically expand the pool of investable opportunities. Constellation's philosophy is that hurdle rates are magnetic — they reflexively shape behaviour across the organisation. A lower hurdle may expand the universe of potential deals, but also encourages managers to accept weaker returns. As Leonard explained in his 2015 letter:

“During [the] twenty-year period [1995 to early 2015], we made three changes to the hurdle rate, one up, two down. The weighted average expected IRR for each vintage (e.g. all of the acquisitions done in 2004) of acquisitions tended to drop or increase to the newly implemented hurdle rate. Said another way, when we dropped our hurdle rate, it dragged down the expected IRRs for all the opportunities that we subsequently pursued, not just those at the margin.”

We believe Asseco is about to benefit from the magnetic attraction of those same standards. EBITDA margins — currently 15% — should rise meaningfully. Topicus' prior investment in Sygnity, another Polish VMS firm, saw EBITDA margins expand by 11% points to 28% within two years. A former employee of Topicus shared with us that this is a typical experience, at least for acquired companies: in most cases Topicus attempts to increase EBITDA margins from c. 8-12% to above 25% within three years. We also expect Asseco to deploy more of its free cash flow, and at higher returns, resulting in an acceleration in compounding.

With mid-single-digit organic growth, rising margins, and increased capital productivity, we believe Asseco could be materially undervalued. The shares have appreciated substantially since we built the position, and currently trade at 33x 2024 earnings — a headline multiple that may appear full, but one that fails to capture the magnitude of the transition underway. This multiple reflects trailing margins and underutilised capital. If Topicus succeeds in driving Asseco toward the 25%+ EBITDA margins and reinvestment performance seen elsewhere in the Constellation network, the embedded value creation could be substantial.

We can see a similar story regarding hurdle rates with the history of Berkshire Hathaway (“Berkshire”). Buffett has never publicly disclosed a hurdle rate for investments, but we can glean insights from comments he has made, for instance on the incentive arrangements Berkshire has with its operating subsidiaries. In the 1995 annual meeting he said the following:

“... we want our managers to understand just how highly we do value capital. And we feel there’s nothing that creates a better understanding than to charge them for it. So, we have different arrangements... that range between 14 percent and 20 percent, in terms of capital advanced... [if] the manager figures out a way to do the business with less capital, we may credit him at a very high rate — same rate we would use in charging him — in terms of his bonus arrangement. So, we believe in managers knowing that money costs money... by sticking these rates on capital, we are telling the people who run our business how much capital is worth to us”.

This suggests Berkshire has a hurdle rate in the 15-20% range – presumably this has changed over time as the opportunity set has shifted with Berkshire’s size. Funnily enough, the company’s performance aligns with this. The annualised gain in book value per share over 54 years through 2018 was 18.7%, whilst the company’s market value compounded at 19.9% per year over 60 years through 2024.

Cellnex Telecom – from expansion to efficiency: a shareholder-driven pivot

Cellnex Telecom is the other recent investment in our portfolio where a shift in ownership prompted our entry. The company operates independent mobile tower networks across European markets including Italy, France, the UK, Spain, and Poland. These assets have infrastructure-like characteristics: high upfront fixed costs, low marginal costs, and very sticky customers operating on long-term contracts. Mobile network operators (MNOs) depend on tower access to deliver reliable service, and co-locating on shared infrastructure is the most efficient solution – making the economics attractive for both towercos and their customers.

The main structural weakness in the model is customer concentration, driven by the consolidated nature of MNO markets. However, MNOs face high switching costs whilst Cellnex’s contracts are long-term (often multi-decade) and structured as “all-or-nothing”, which means an MNO cannot selectively renew sites. While past MNO consolidation has been a headwind, we believe the outlook is now more stable. The top five geographies accounted for 80% of sales in 2024 and are already relatively consolidated, with regulators likely to be sceptical of further market concentration in our view.

A more recent risk has emerged from landowners attempting to exercise their bargaining power over towercos to renegotiate rents, exploiting the estimated EUR 100k cost to dismantle and relocate a tower. Cellnex has responded proactively, acquiring tower sites where possible – so far at attractive returns. Reassuringly, average lease expense per site has been declining, including in recent years.

After years of debt-fuelled expansion, the company’s strategy began to unravel in 2022 as interest rates rose. The portfolio was a patchwork of dominant and subscale positions, the balance sheet was stretched, capital commitments were heavy, and central functions needed streamlining. The share price fell 57% from peak as investors reappraised the business under a new cost-of-capital regime.

The turning point came in March 2023, when TCI disclosed a significant stake and then secured board representation a few weeks later. A new CEO was appointed in June and, with TCI’s backing, Cellnex undertook a thorough strategic reset. The company has since pivoted from aggressive growth to rationalisation – selling assets such as Austria and Ireland, scaling back capital commitments, cutting operating expenses, and improving capital discipline.

Cellnex may be slimming down, but shareholders wallets should be getting fatter in future. With the balance sheet stabilised, Cellnex has begun returning capital to shareholders, buying back a little over 3% of the company in the first half of 2025. We expect a sharp inflection in free cash flow over the next three years. In 2024, the company generated around EUR 2bn in operating cash flow but spent EUR 1.3bn on its Build-to-Suit (BTS) programme – network expansion projects built in partnership with major customers – which after other maintenance and expansion capex left little for

shareholders. By 2028, we expect BTS spend to fall to EUR 200–300m p.a. whilst operating cash flow rises to c. EUR 2.5bn. Net of required reinvestment, we forecast free cash flow of around EUR 2bn.

With a current market cap of EUR 23bn, and allowing for further buy backs in the interim, that implies a 2028 free cash flow yield of c. 10% — a compelling valuation given the tower industry’s structural strengths and predictability, and ongoing prospects for high single digit growth in free cash flow from that point. Private market benchmarks also point to undervaluation. Tower assets have recently transacted at EV/EBITDA multiples in the low-to-mid 20s, whereas Cellnex trades at 16–17x 2025 EBITDA. On an EV-per-site basis, Cellnex trades at a ~30% discount to peers such as INWIT and Vantage Towers.

We see Cellnex as a classic controlledco inflection: a high-quality infrastructure asset mismanaged during an era of cheap capital, now undergoing a disciplined transformation under aligned, long-term ownership.

The edge of alignment

You might argue that aligning with world-class capital allocators is a lazy approach – that we are, in effect, outsourcing our job. But if we can partner with managers who consistently reinvest at 20%+ returns on equity, that’s not negligence. It’s good judgement. In public markets, where many CEOs are not trained capital allocators and where incentives often misalign with long-term value creation, identifying companies where capital is treated with care — and where owners act with discipline, patience, and ambition combined with a robust corporate governance framework where the inherent risks are sufficiently mitigated – is one of the few enduring edges we can cultivate. We call these “controlledcos,” and we believe they are among the best partners for long-duration capital.

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							7.5
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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